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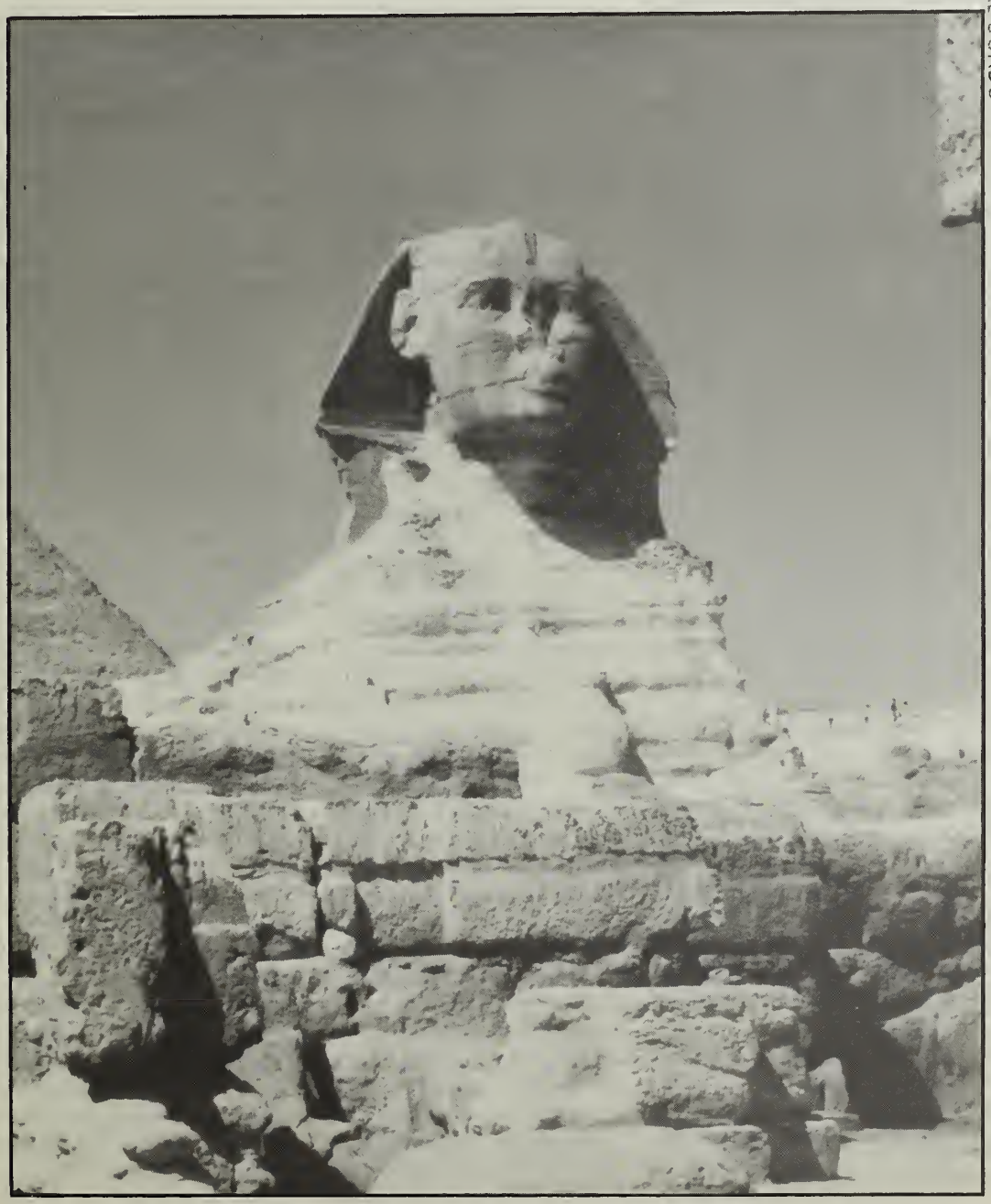

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The great Sphinx at Giza, Egypt.

Egypt's Food Needs Still Rising Faster Than Farm Output

By James E. Ross and Gerald Feaster

One million more people to feed each year from an agriculture restrained to less than 3 percent of the land area adds up to a losing battle by most odds—and certainly that has been the case for Egypt so far in the 1970's.

No matter how good the agricultural results, they never seem sufficient to offset the 2.5 percent growth each year in population, plus the less easily measured demand impact of rising incomes. The results have followed a predictable course: Government planners have launched a myriad of projects to stimulate production, ranging from reclamation of desert lands to added incentives for farmers and agribusinesses. Dependence on foreign assistance has risen, along with the country's agricultural trade deficit.

And Egypt has grown from a relatively insignificant agricultural importer at the turn of the decade to one of the foremost markets in the Middle East—and the world's fifth largest market for wheat. Last year, its bill for farm imports was nearly $2 billion—twice returns from agricultural exports and almost seven times imports in 1970-73.

Not surprisingly, Egypt also ranks as the leading U.S. outlet in the Middle East, receiving $554 million worth of U.S. farm products in calendar 1978. Most sources predict that these U.S. exports will hit $1 billion some time in the near future, but with a sizable share continuing to move under U.S. assistance programs of one form or another. (Cash sales in recent years have amounted to around half of total U.S. farm exports to Egypt.)

Other exporting nations likewise have found a place in the market and are competing aggressively for even stronger positions. Their competition reduced the U.S. market share to less than 30 percent in 1978 from 40 percent some 5 years earlier and will be an important determinant of how far U.S. exports advance in the years ahead.

These suppliers have taken most of the gain in Egypt's agricultural imports of meat, dairy products, and fast-moving items such as processed foods and canned meats, juices, and fruits. Among the major competition are Australian wheat, French wheat flour, and Greek tobacco.

Imports Outpace Exports

Agricultural trade deficits are a relatively new phenomenon in Egypt, having first arisen in 1974. The imbalance has grown strikingly in the past 4 years, however, and there is no point in the visible future where Egypt can reasonably expect to be self-reliant in food production, despite programs now underway to tackle both the rapid population growth rate and the lagging agricultural output.

Fortunately for Egypt, other sectors of the economy have begun to make up the $1-billion shortfall in farm trade, as evidenced by a slight improvement in the country's total foreign exchange deficit from $4 billion annually during 1975-77 to about $3 billion in 1978. This improvement stems from increased petroleum exports, rising revenues from tourism and the Suez Canal, and record remittances from workers living abroad.

Extensive foreign assistance also has been a major factor behind Egypt's ability to narrow its trade gap without overutilizing commercial credit facilities. No one knows what form that assistance will take in coming years, but it is obvious that Egypt will make little progress in pursuing its trade and agricultural development objectives without continuing and extensive foreign aid.

Egypt's dependence on overseas suppliers is reflected in trade figures for some of its major agricultural products. In 1978, more than 40 percent of the country's grain, including 72 percent of the wheat, was imported. In addition, imports accounted for about three-fourths of the vegetable oil, and all of the tobacco, tea, coffee, rubber, and jute.

That year, Egypt continued as the leading Arab market for U.S. wheat and wheat flour, corn, tallow, tobacco, soybean meal, and frozen poultry. It also ranked as a major outlet for U.S. cottonseed oil and cotton—the latter reflecting Egypt's policy of importing short- and medium-staple cotton for domestic use, so it can export more long-staple varieties.

Some trade highlights:

- Purchases of wheat and wheat flour last year continued their rapid growth of the 1970's, reaching 5.1 million metric tons (grain equivalent)—2½ times those in the early 1970's. A further gain to about 5.25 million tons is seen for 1979.
- Corn imports have risen from practically nothing at the turn of the decade to about 800,000 tons in 1978—virtually all coming from the United States. With use of corn in animal feed still far below optimum levels, despite a 100-percent gain in the past 4 years, these imports should continue upward at least for the near term.
- Imports of beef, poultry

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meat, and dairy products may have risen almost 50 percent in 1978 as a result of efforts to improve protein content of the diet. Most of the beef imports of 75,000-80,000 tons in 1978 came from Australia, Argentina, and Uruguay, while the roughly 15,000 tons of poultry meat came mainly from the European Community (EC). The United States had about one-third of the market.

- Purchases of vegetable oils, mainly cottonseed; soybean meal; tallow; tobacco; and short-staple cotton continue to rise.

Although no longer No. 1 now that petroleum has become the country's top export item, cotton still dominates the export side of Egypt's farm trade. Last year, it accounted for nearly three-fourths of the country's $1 billion worth of agricultural exports, despite continuing declines in trade volume. That volume is estimated at 125,000 tons for 1977/78 (September-August), compared with 300,000 in 1972/73.

Rice, oranges, potatoes, and onions are Egypt's other important exports, and here again decreases have outnumbered gains in the past few years. Exports of rice, for instance, declined sharply in 1978 to about 150,000 tons from 223,000 tons the year before, and are likely to be less than 100,000 tons in 1979.

Sweet orange shipments probably fell to around 130,000 tons in 1978, continuing the downward trend in progress since the mid-1970's, when 200,000 tons were shipped in a typical year.

Shipments of onions—primarily to EC and Middle Eastern markets—were about 80,000 tons in 1978, or slightly below the previous year's—and those of potatoes slipped to around 160,000 tons from the 166,000 tons exported in 1977.

While Egypt is able to grow a wide variety of fruits and vegetables because of its mild winters, exports so far have centered around nonperishables. Their dominance reflects in large part Egypt's lack of refrigeration and adequate transportation.

Agricultural Results

Even good agricultural years have not brought results needed to halt the upward trend in Egypt's imports, and 1978 was no exception.

Last year, value of agricultural production is estimated to have risen some 2 percent from 1977's, highlighted by a strong performance from the grain sector. Output of the three major cereals—wheat, rice, and corn—was 12 percent higher than that of the year before.

Fruit and vegetable output also rose as farmers increased plantings of these higher paying crops, which unlike many of the grains are not restrained by area controls and restrictive marketing quotas. Expansion in soybean output continued as farmers became better acquainted with the advantages of this relatively new crop. Cotton yields were highest in 15 years, although cutbacks in area precluded substantial growth in total production.

Livestock output, accounting for nearly half the total value of Egyptian farm production, put in its usual lackluster performance, with the exception of the poultry industry. Here, production continued its steady growth of the past few years, despite the cost/price squeeze imposed on small farmers by rising feed prices.

Scarcity of feed, indeed, is the major constraining factor in Egypt's livestock sector, which still must support a large population of work animals, as well as those

Top to bottom, left to right: The famous pyramids of Giza provide a backdrop to market gardens on the outskirts of Cairo. An Egyptian plows his field with the help of draft animals—still the small farmer's "tractor" in much of Egypt. A worker places drainage tiles in irrigated fields as a guard against waterlogging and soil salinity. A typical Egyptian fellaheen farmer. Washing potatoes—one of the important export crops of Egypt.

produced for meat. An almost complete lack of natural pastures accentuates the feed problem and explains in part the Government's rigid control over production of staples such as wheat, rice, and corn.

Last year's 2-percent gain in total output once again lagged behind population growth, and the consumption/production gap was much greater for some key foods. For instance, Government subsidies on consumer prices for basic foodstuffs—bread, rice, sugar, cooking oil—are pushing up demand for these products some two to three times faster than the rate of population growth.

Demand for high-protein feeds also has begun to skyrocket in line with urbanization and a growing per capita income, while output continues to stagnate. Corn, although still used primarily in breadmaking, is increasingly important as a livestock feed ingredient, with demand from both areas reflected in the burgeoning import needs.

Production of cotton has languished during the past 5 years, while domestic utilization has risen some 5 percent annually. And expansion and rejuvenation of the domestic textile industry points to further growth in domestic needs.

Production of vegetable oils meets only about one-third of the country's needs, which are rising by about 8 percent a year. As with the grains, the rapid growth rate is attributed largely to subsidized consumer prices—about 85 U.S. cents per liter for the monthly ration of three-quarters liter per person. Additional quantities are available at prices that are about three times higher than for the rationed oil.

Similar forces have contributed to growth in consumption of sugar and tobacco, the latter also affected by the rising number of women and teenage smokers. Between 1977 and 1978 alone, cigarette production is estimated to have risen 10 percent to around 27.5 billion. About 95 percent of these cigarettes are American blends and 95 percent filtertipped.

Agricultural Problems and Goals

For the time being, the improving performance in other sectors is helping compensate for agriculture's lethargy, but paying for food imports appears destined to remain one of the country's greatest economic concerns. Egyptian President Anwar Sadat, in fact, has stated emphatically that boosting food production is a key goal for the near term, and Government planners are exploring means of overcoming the many obstacles to growth so this objective can be achieved.

Not the least of the problems is the scarcity of arable land in this largely desert country. Currently, only 3 percent of the land is suitable for cultivation, and each year 8,000-17,000 hectares are lost to urbanization.

Of this agricultural area, some 2.4 million hectares are "Old Lands" in the Delta and along the Nile, where crops have been cultivated for centuries. Another 383,000 hectares of "New Lands" came into being with completion of the High Dam at Aswan in the late 1960's. Productivity of these lands is being built up through an ambitious land reclamation program. Still, it will be years before these areas contribute significantly to total agricultural production.

Egypt is fortunate to have water year round on much of the New Lands, which allows production of two or three crops a year.

However, year-round irrigation and lack of proper drainage also have resulted in a rising water table, water logging, increased salinity, and consequent decreases in productivity.

In 1974, for instance, it was estimated that potential yields had been reduced by a slight-to-severe amount on 80 percent of the land.

Government policies also have not always worked in the interest of food security, in part because of the consumer subsidies and resulting strong demand for low-priced food products.

The Government also has a rigid system of production controls for the "essential" crops, which discourages diversions into other crops, even though in many cases the alternatives would be more profitable. The rationale here apparently is to maximize production of grains and other staples so as to maintain as high a degree of self-sufficiency as possible.

The system works like this:

Growers of the "main and essential" crops are assured a fixed price for their production. Such crops include wheat, rice, fava beans, lentils, peanuts, sesame, onions, sugarcane, and seed cotton.

Fixed prices traditionally have been slightly below the local market prices and have changed infrequently—often remaining at the same level 2 years or longer. Domestic wheat, for example, retained the same price of about $86 per ton from 1970 to 1973 and $119 from 1974 to 1977.

The fixed prices are linked to a quota system, with production beyond the basic quotas sold in the local market at prevailing prices.

These Government-controlled farm prices have often been criticized as being too low and consequently an impediment to production growth. However, the problem may have been partly alleviated by the Government's January 1979 increase in farm prices, with gains of nearly 30 percent for cotton, wheat, rice, and lentils and 9 percent for sugarcane.

The Government also has moved to relax centralized decisionmaking, which requires producers in certain areas to grow specific crops on given percentages of their landholdings. Quotas, specified by the Ministry of Agriculture to be delivered to the Government collection centers, differ within districts according to the general land fertility and productivity. Different geographic areas of the country receive different marketing quotas for the same commodity.

For example, the Government in the past has identified 18 different quotas for the 18 Governorates in which wheat is grown. Lentil producers, on the other hand, receive the same quota no matter where their farms are located.

There are no area delivery quotas for vegetable or fruit crops. However, the Ministry of Supply places a ceiling on retail prices of fruits and vegetables. These prices are announced weekly.

Despite the obvious drawbacks of such a system, Egyptian farmers do receive a number of indirect subsidies. These include free irrigation water, with farmers required only to mechanically lift the water from the canal to the field; free drainage of excess water; and reduced prices for seed, diesel oil, fertilizers; and (for cotton farmers) pesticides.

Furthermore, the January 1979 reforms have resulted in a new interest rate of 6 percent, compared with 12 percent previously, and a lifting of customs duties on imports of farm machinery.

Agricultural development likewise is being pursued aggressively. The 1978-82 plan emphasizes food security, to be achieved through:

- Further expansion of area under cultivation;
- Efforts to boost land productivity; and

• Improvements in the livestock industry.

The agricultural expansion plans call for reclamation of 276,000 hectares by 1982 and 883,000 by 1987. Further improvements also are to be made in the 383,000 hectares reclaimed since 1952.

Tile drainage projects to improve productivity of already developed lands also are underway, with the goal of raising output of each hectare in the project by 40 percent.

The plan for irrigation foresees construction of 37 stations for irrigating Nile islands and banks in Beni Suwef, Minia, Suhag, Kena, and Aswan—a total area of about 105,000 hectares. This land has been uncultivatable since the construction of the High Dam.

In addition, feasibility studies are underway for another canal, called the Salam Canal, to carry water through a tunnel under the Suez Canal and thus irrigate about 250,000 hectares in Sinai.

Meanwhile, the Government is moving to improve productivity on Old Lands by:

• Encouraging production of exportable commodities such as long-staple cotton, citrus, vegetables, and fruits, while also modernizing the marketing, pooling, grading, and packaging of these commodities;

• Integrating agricultural research to provide data needed for studying production problems and to improve varieties in terms of output, pest resistance, climatic compatibility, and chemical input needs;

• Mechanizing agriculture to the point where by 1985 farm animals will not be used for labor and by 1990 human labor will be largely replaced.

The plan also addresses the problem of pricing agricultural products and proposes a policy that promotes stability while taking into account world prices and forecasts. Such a system would enable the Government to decide on an optimal cropping pattern in light of the prevailing crop rotation system.

Livestock production is to be stimulated by a number of means, such as allowing the private sector to import needed raw materials and install feedmills. Government-owned companies, in turn, will manufacture concentrated feeds; carry out research to develop other forage crops; and provide veterinary services at the village level.

Included in the plan are improved methods of storing farm commodities and reducing losses incurred under the present system. Government estimates indicate that around 80,000 tons of cereals could be added to available supplies through reductions of losses in storage.

The private sector will have its most obvious role in poultry production,already carried on largely by local producers through village flocks.

On the trade side, Egypt will look increasingly to nearby EC markets as outlets for winter fruits and vegetables. It also will continue its policy of importing short-staple cotton so more domestic long-staple cotton can be exported.

These goals notwithstanding, Egypt appears to have little chance of reducing its agricultural imports. Indeed, as expansion in livestock production accelerates—and consumer demand gains further stimulation from rising incomes—the country is likely to boost imports of products such as wheat, corn, and other feedgrains, soybean meal, vegetable oils, tobacco, short-staple cotton, and consumer-ready items. □

U.S. Farm Exports To Egypt Heading Toward $1 Billion

By John B. Parker, Jr.

Following a lull in sales growth last year, U.S. agricultural exports to Egypt are again on an upward track that could carry them to $1 billion by 1980.

Demand long suppressed by Egypt's limited ability to finance farm imports should start to be realized as a result of rising revenues from petroleum, which already have helped narrow the country's trade deficit. Additional import financing likewise is expected to foster trade expansion.

Egypt's total agricultural imports, in turn, could rise to about $3 billion by 1980 from $2 billion in 1978. If these projections are realized, U.S. agricultural exporters would be supplying a third of the Egyptian import market, compared with 28 percent in 1978.

In contrast to this prospective trade growth—and the spectacular gain from $43.6 million in 1972 to $425.7 million in 1975—last year was not an impressive one for U.S. agricultural exports to Egypt. Sales then rose only 2.6 percent from 1977's to $554 million as a result of delays in shipping wheat and flour to Egypt and relatively low prices for grains.

However, those delayed grain shipments are moving into the market this year, as are exports of grains and other commodities shipped under financing arrangements concluded late last year. The net result could be a $150-million increase to $700 million in U.S. farm exports to Egypt this year.

The new financing includes a Title I, Public Law 480, agreement signed November 8, 1978, for shipment of 1.5 million metric tons of wheat and wheat flour valued at $214 million.

Record sales also are in prospect for U.S. cottonseed oil, corn, frozen chickens, and tallow as a result of financing under the Commodity Import Program (CIP) of the U.S. Agency for International Development. Such financing has included funds for delivery of farm products worth $150 million annually in the last 2 years and about $200 million estimated for 1979. The loans are to be repaid by Egypt in dollars over a 40-year period, with a 10-year grace period at a 2 percent interest rate. After the grace period, the interest rate will rise to 3 percent.

Grains. U.S. exports of wheat and wheat flour to Egypt during 1978/79 (July-June) are estimated at 1.6 million tons, compared with 1.5 million in 1977/78. U.S. exports of wheat flour during the 1978/79 crop year faced increasing competition, particularly from the European Community (EC), Turkey, and Australia.

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During 1979/80, it is anticipated that shipments of U.S. wheat and wheat flour to Egypt will exceed those of 1978/79.

Egypt's total wheat imports from all sources may surpass 5.5 million tons this year—up from 5.1 million tons in 1978 and 4.3 million tons in 1977.

Corn is another example of a significant grain import into Egypt. In calendar 1979, U.S. corn shipments to Egypt are projected at 850,000 tons, compared with 806,000 in 1978 and 601,000 in 1977. Since the early seventies, Egypt has imported all of its corn from the United States, with this trade receiving impetus from both rising demand for blending with wheat flour and greater use of animal feeds.

Egypt also may buy over 10,000 tons of U.S. dry beans and lentils this year following loss of this market by U.S. suppliers during 1978. The Government's policy of seeking the lowest possible prices has made this a rather undependable market, as witnessed by Egypt's shift to Syrian supplies last year following imports of 2,000 tons of U.S. lentils under P.L. 480 in 1977.

Fats, oils, and meal. Following a 21,000-ton decline in shipments last year to 180,000 tons, U.S. shipments of cottonseed oil to Egypt are expected to rebound to 210,000 tons valued at about $130 million in 1979. Extra financing through CIP loans accounts for the trade gain. The United States usually supplies over 90 percent of Egypt's cottonseed oil imports.

Egypt also is a promising market for U.S. sunflowerseed oil and soybean meal, with shipments of the latter expected to double their 1978 level to reach 100,000 tons. U.S. shipments of sunflowerseed oil reached 25,251 tons valued at about

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U.S. Agricultural Exports to Egypt, Annual 1972-78

Item	*1972*	*1973*	*1974*	*1975*	*1976*	*1977*	*1978*
	Metric tons	*Metric tons*	*Metric tons*	*Metric tons*	*Metric tons*	*Metric tons*	*Metric tons*
QUANTITY							
Wheat	0	425,791	724,647	935,114	1,338,803	1,335,208	1,115,872
Wheat flour	318	39,145	28,259	100,016	316,000	300,550	382,257
Corn	93,655	180,197	465,506	511,021	644,170	533,240	806,050
Rice	0	0	213	0	220	221	89
Cottonseed oil	84,843	92,437	129,940	199,429	138,309	201,611	180,005
Soybean oil	181	871	2,806	1,888	1,147	4,689	3,903
Tallow	65,654	64,613	96,409	105,200	127,534	113,394	129,480
Tobacco	413	1,068	5,586	4,732	5,044	12,119	11,115
Animal feed	907	3,629	907	5,527	15,422	25,000	49,500
Nuts and preparations	0	0	(1)	(1)	(1)	(1)	(1)
Vegetables and preparations	0	0	(1)	(1)	(1)	(1)	(1)
Dairy products	0	0	(1)	(1)	(1)	76	(1)
Vegetable seeds	9	10	(1)	(1)	(1)	(1)	1,891
Peanut oil	0	0	0	0	1,957	149	0
Frozen poultry	0	0	0	2	52	5,604	3,366
Raisins	0	0	0	0	55	1	29
Prunes	0	0	0	0	42	0	0
Canned peaches	0	0	0	0	34	4	12
Other fruit preparations	0	0	0	0	86	(1)	(1)
Beef	0	0	0	0	30	6	5
Cotton	0	0	0	4,350	0	25,148	13,550
Other	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total	(1)	(1)	(1)	(1)	(1)	(1)	(1)
VALUE	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
Wheat	0	43,085	134,163	154,746	168,853	132,720	135,763
Wheat flour	33	7,342	1,733	13,771	46,938	46,786	66,886
Corn	5,383	15,927	60,584	68,543	74,081	51,187	86,427
Rice	0	0	164	0	96	155	32
Cottonseed oil	24,952	30,542	75,245	114,449	72,975	120,940	98,790
Soybean oil	65	451	2,898	2,202	814	2,891	3,113
Tallow	11,510	20,509	45,829	42,647	51,158	54,315	55,863
Tobacco	902	2,358	14,406	14,647	17,609	43,800	38,826
Animal feed	139	1,016	260	1,721	5,542	9,309	10,166
Nuts and preparations	0	0	0	67	40	50	125
Vegetables and preparations	0	0	216	217	213	867	841
Cattle hides	0	200	663	543	1,021	963	843
Dairy products	0	0	211	2,040	1,076	2,292	1,380
Vegetable seeds	102	105	283	494	484	429	1,628
Peanut oil	0	0	0	0	2,352	150	0
Frozen poultry	0	0	0	5	102	6,185	3,033
Raisins	0	0	0	0	58	2	53
Prunes	0	0	0	0	41	0	0
Canned peaches	0	0	0	0	30	3	9
Other fruit preparations	0	0	0	0	176	329	430
Beef	0	0	0	26	160	15	20
Cotton	0	0	0	4,421	0	46,514	19,711
Other	546	1,434	6,259	4,425	9,867	29,704	30,540
Total	43,648	122,969	342,956	424,692	453,691	540,297	554,429

(1) Not Available. Source: Bureau of the Census, U.S. Department of Commerce.

Progress in the Tokyo Round was "little short of remarkable," said Dr. G. Edward Schuh, Deputy Under Secretary for International Affairs and Commodity Programs, USDA, in a recent speech. He noted that the United States had received concessions on about $4 billion of agricultural exports.

AGRICULTURE and the MTN

The importance of trade to U.S. agriculture is well recognized. Not as fully recognized is that U.S. commodity policies are now predicated on strong export markets. Without these markets, U.S. agriculture would face an enormous adjustment problem. In the course of making that adjustment, the costs to the U.S. taxpayer could be quite large.

Exports of agricultural products are also an important source of national well-being. They enable us to capitalize on the comparative advantage represented by our unusual endowment of agricultural resources. The surplus in agricultural trade has been over $10 billion in each of the last 4 fiscal years when we have badly needed it to pay for our burgeoning import bill for petroleum, raw materials, and manufactured products. In addition, about 1.2 million fulltime civilian jobs are related to U.S. agricultural exports.

The historical pattern of U.S. trade is unusual. Over the years, we have shifted from being a large net exporter of nonagricultural products to being a large net importer. And on the agricultural side we have shifted from being a large net importer to being a large net exporter. This is why agricultural trade, and the results of the Multilateral Trade Negotiations (MTN) are so important to the agricultural sector of our economy.

The so-called Tokyo Round is the seventh round of multinational trade negotiations since World War II. Previous negotiations were the Kennedy Round and before that the Dillon Round.

A total of 99 countries participated in the Tokyo Round. The United States reached agreement with 41 countries, including 19 developing countries.

The general objective of the MTN was to liberalize world trade. But in this particular round we had some rather specific objectives. First, we wanted to obtain some liberalization for trade in agricultural products. In the Kennedy Round, agriculture was negotiated on a separate track, with the result that at the last minute the overriding difficulties with this sector caused negotiations to be closed with little or no progress on agricultural issues. This time, the U.S. Government repeatedly stated, "No progress in agricultural matters, no MTN."

Second, we wanted to make some progress on nontariff trade barriers, such as quotas, variable levies, and health and sanitary regulations. These barriers have become increasingly important in recent years, and had been neglected in previous rounds. Third, we wanted to negotiate some stronger rules of conduct for how trade policies are used, and in the process reactivate the General Agreement on Tariffs and Trade (GATT). Here the emphasis was on export subsidies, countervailing duties, and such. Finally, of course, we wanted to obtain further reductions in tariffs on nonagricultural goods.

There are four major parts of the MTN Agreement. The various Codes and a series of industry agreements (including steel and aircraft) constitute the first part of the package. Many consider this the most significant part of the pact. The Codes and industrial agreements establish guidelines of conduct for nations in areas previously considered to be sacrosanct domestic policy issues.

The second part is the industrial tariff reductions. Third is the modernization of the GATT system itself. The last part is the agricultural package, of which four elements are of most importance: The International Wheat Agreement (IWA); trade concessions; the Codes, or rules of the game; and some international commodity arrangements.

International Wheat Agreement. Negotiations on the new IWA were carried out under the auspices of the United Nations Conference on Trade and Development (UNCTAD), not the GATT, and the original hope was that a successful agreement could be folded into a larger trade package. We were not successful in negotiating a new IWA, and we have little expectation that an agreement can be worked out in the near future.

Trade Concessions. We put a great deal of emphasis on getting concessions on specialty products such as beef, poultry, pork, variety meats, tallow, tobacco, fresh and canned fruits and juices, vegetable oils, and vegetable protein meals. Other important concessions we sought relate to soybeans, rice, and cotton.

There are two areas where the negotiations were not applicable. First, some U.S. agricultural exports were already bound at zero duty at the time the negotiations were undertaken. This means that U.S. exports could enter without paying duties. Also, we did not negotiate reductions in trade barriers with Centrally Planned Economies.

Based on 1976 U.S. agricultural exports, approximately $4.0 billion of trade was already bound at zero duty, and $2.5 billion was exported to Centrally Planned Economies. In total, $6.5 billion or approximately 28 percent of our trade was not subject to negotiation in the MTN.

Within the $16.5 billion subject to negotiation the United States received concessions including reductions in duties, reduction in nontariff barriers or duty bindings covering about $4 billion or 23 percent of U.S. agricultural exports.

Of course, trade is a two-way street—and so are trade negotiations. The United States offered tariff concessions to foreign nations on products covering about $2.6 billion (1976 basis) in U.S. agricultural imports in 1976. Approximately half of this trade coverage is in fresh or frozen beef, lamb meat

and wool, live cattle, and certain grain products on which concessions were offered to develop countries. Most of the remainder is in vegetable oils, inedible molasses, fruits and vegetables, which were concessions offered to developing countries. In these instances, the duty reductions offered will not significantly affect U.S. farm income. In the case of beef, the quota remains, as does the present support program for wool.

The United States also offered to change Section 22 quotas on cheese. Certain countries would be allowed to increase their exports of cheese to the United States closer to the somewhat higher levels that prevailed for them in 1974. At the same time, however, the most important of these cheeses not yet subject to import quotas would be made subject to quota. This will limit imports of cheeses, which heretofore have been increasing at a rapid rate.

The Codes, Rules of the Game. One of the major U.S. objectives was to improve the trading rules to make more effective use of the GATT in resolving problems in several specific nontariff areas: Subsidies, safeguards or escape clause actions, technical barriers to trade such as those relating to product standards, import licensing, commercial counterfeiting, and customs valuation.

These new rules or Codes should revitalize the use of the GATT in resolving international trade disputes. A new body of agreed rules and procedures will establish the basis for interpretive decisions and gradually provide more effective procedures for resolution of problems in those areas.

The most important Codes are:

- **Subsidies and Countervailing Duties.** This new Code would, for agriculture, maintain the right of countries to defend themselves from injurious subsidized import competition in their domestic markets. It would introduce tighter, more measurable rules on the use of export subsidies by U.S. competitors in the world market. These rules could significantly benefit U.S. exports.
- **Standards Code.** The purpose of this Code is to discourage the use of product standards, product testing, and product certification systems as barriers to trade. It would establish international dispute settlement procedures by which signatories may complain of code violations by other signatories, secure reviews of their complaints, and if necessary take certain limited retaliatory action.
- **Government Procurement Code.** This Code is intended to discourage discrimination against foreign suppliers when governments purchase articles for their own use. We estimate that this Code will provide access to about $20 billion for the United States as a whole. However, little benefit for U.S. agriculture is expected since agricultural procurement programs are excluded from the Code.
- **Licensing Code.** The purpose is to simplify and harmonize the procedures importers must follow in obtaining import licenses, so that these procedures do not themselves constitute an unnecessary obstacle to trade. U.S. licensing is in harmony with the Code.
- **Customs Valuation.** This agreement is designed to establish a uniform international system of valuation for imported goods dutiable on an ad valorem basis. No major impact is anticipated in U.S. agricultural trade.
- **Safeguard Code.** Previous, accepted international trade rules allowed countries to use temporary import restrictions to avoid serious injury to producers under conditions of fair competition—i.e., when there was no issue of subsidies or dumping. However, the new code would limit the duration and impact of such restrictions. The United States, for instance, would be permitted to take rapid safeguard measures "in critical circumstances" where delay would cause damage difficult to repair.

Negotiations have not yet been completed on this Code and the Commercial Counterfeiting Code. The Commercial Counterfeiting Code refers to such things as international imitation of Levi trousers or overalls. While this Code is important to the nonagricultural sector, it is not very important to agriculture since trade is not based on brand names.

- **Commodity Arrangement.** Negotiations have been undertaken on an International Dairy Arrangement to provide an exchange of information and consultations to identify remedies for serious market imbalances, and floor-prices for world trade in cheese, butter, and nonfat dry milk, and a Bovine Meat Arrangement to provide for information sharing, market monitoring, and regular consultations.

It is difficult to assess the benefits from trade concessions, especially when so much emphasis has been placed on Codes and improved rules of the game. Even in the case of tariffs a careful assessment requires that we be able to predict the future with some accuracy. For example, the United States was able to negotiate a zero binding from the EC on soybean tariffs in the Dillon Round primarily because our trade in soybeans at that time was a mere pittance. Who would have dreamed that our trade to the EC in that product alone would have grown to more than $2.3 billion by now?

There are some things we can say, however, by way of assessing benefits.

First, as mentioned before, we received specific concessions covering approximately $4.0 billion in U.S. agricultural exports (1976 basis) in all of our important markets. Of this amount, a preliminary analysis shows U.S. agricultural exports valued at $2.7 billion conservatively estimated to increase by about a half billion dollars and the remaining $1.3 billion in trade to continue as a result of trade concessions.

Second, the benefits of these concessions will be widely dispersed geographically: Tobacco from the Southeast; citrus from Florida, Arizona, Texas, and California; rice from the Mississippi Delta States; grains and soybeans from the Midwest; livestock from the Far West; and specialty products from California and the Northwest.

Finally, we have some very tentative data on the impact of the concessions on individual agricultural commodities. Livestock and livestock product concessions received are expected to increase U.S. exports of these commodities by over $250 million. The major concessions are approximately $200

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Estimated Value of MTN Reduction in Nontariff Barriers (NTB) and Duties for U.S. Exports

(1,000 dollars)

Commodity	NTB	Duty reductions	Total[1]
Livestock	199,800	53,203	252,003
Grains	23,600	2,680	26,280
Oilseeds	55,200	27,548	82,748
Fruits/vegetables	42,450	20,664	63,114
Tobacco	84,600	1,000	85,600
Total	405,650	104,095	509,745

[1] The estimate of increased trade is based on full implementation of all the concessions. Implementation time will vary by commodities and countries. However, full implementation of all concessions is expected to occur at the latest by 1987.

U.S.-Japan Pact Covers Record Number of U.S. Farm Export Products

By Suzanne Hale

When former Japanese Minister of Agriculture Nakagawa came to Washington to negotiate the U.S.-Japan Multilateral Trade Negotiations (MTN) agreement in agriculture in September 1978, he complained that the Japanese people would need two stomachs before they could increase their agricultural imports.

Within 3 months, however, the United States had signed an agreement with Japan covering more U.S. agricultural exports than any other bilateral agricultural agreement negotiated through the MTN.

Japan has consistently been the largest single-country market for U.S. agricultural products. U.S. exports to Japan have largely been bulk commodities because of Japanese import policies that favor raw materials rather than consumer-ready products.

In 1978, four bulk commodities — soybeans feedgrains, wheat, and cotton—accounted for 77 percent of the $4.4 billion in U.S. agricultural exports to Japan. All four of these commodities entered Japan duty-free.

Japan's import policies for labor-intensive, consumer-ready products such as beef[1] and fruit products have been much more restrictive.

In this round of negotiations, the United States sought to reduce these trade barriers. Special emphasis was placed on products for which the United States is Japan's major supplier—such as citrus fruit and high-quality beef—so that the United States would be assured of obtaining the benefits from Japanese concessions.

The negotiations were conducted in the shadow of a growing deficit in the U.S. trade balance with Japan. Since U.S. agricultural exports are a major part of overall U.S. trade with Japan, this trade deficit placed added pressure on Japan to adopt more liberal import policies. About one-third of all U.S. exports to Japan are agricultural products. The U.S. agricultural trade surplus with Japan was $4.3 billion in 1978.

The negotiations were long and sometimes difficult, but Japan eventually made tariff concessions on more than 150 items of trade interest to the United States.

The value of tariff concessions is generally measured by computing the value of existing trade in tariff categories affected by the concessions.

Based on 1976 Japanese import data, the total amount of trade covered by Japanese tariff concessions was $1.3 billion, which was more than one-third of total U.S. agricultural exports to Japan.

The agreement with Japan includes three types of concessions, all of which will have an important impact on future U.S.-Japanese agricultural trade. Most of the concessions covered in the agreement are tariff cuts.

Although tariff reductions received less publicity during the course of the negotiations than the increases in Japan's beef and citrus quotas, the tariff reductions, which averaged about 35 percent from statutory rates, will have an important impact on U.S. exports of specific commodities such as chicken legs, fresh grapefruit, almonds, and protein concentrates.

Under the agreement, the Japanese also committed themselves not to raise tariffs on various products above current rates. These commitments, known as bindings, provide important protection for existing U.S. trade from the threat of increased tariffs. Over half of the trade value of Japan's tariff concessions is from an offer to bind the current duty-free status of soybeans.

As with many countries, the currently applied rate is lower than the statutory rate for some products.

Finally, the agreement included important nontariff concessions, which will help alleviate the trade restrictive impact of some of Japan's many nontariff trade barriers. By 1983, expansion of import quotas for beef, oranges, and citrus juice will increase Japanese imports significantly.

Most of the changes in tariff rates under the new agreement will be phased in gradually between 1980 and 1987. Quota expansion will be phased in between 1980 and 1983, with further consultations on opening the Japanese market for more beef and citrus to be held in 1983.

The Japanese made several concessions that will be of interest to U.S. poultry producers, including an offer to cut the duty on prepared and preserved poultry from 25 percent to 10 percent and to reduce the duty on fresh, chilled, and frozen turkey from 10 percent to 5 percent.

While the Japanese did not reduce the overall tariff on chicken meat, they did agree to cut the tariff on

Japan: Expansion of Beef and Citrus Import Quotas

(Metric tons)

Japan fiscal year[1]	Annual	Oranges off season[2]	Total	Orange juice[3]	Grapefruit juice[3]	High-quality beef
1979	22,500	22,500	45,000	3,000	1,000	16,800
1980	33,000	35,000	68,000	5,000	3,000	20,800
1981	34,000	38,500	72,500	5,500	4,000	([4])
1982	35,000	42,000	77,000	6,000	5,000	([4])
1983	36,500	45,500	82,000	6,500	6,000	30,800

[1] April-March. [2] June-August. [3] 5:1 concentrate or equivalent. [4] The net increase of 10,000 tons from 1981/82 to 1983/84 will be distributed approximately equally over the 3 year period.

[1] The average beef producer in Japan has five head of cattle.

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chicken legs from 20 percent to 10 percent. This offer should be of significant value to U.S. poultry exporters, as about half of U.S. chicken exports to Japan are chicken legs.

Japan also agreed to bind the tariffs on various egg products and cut the tariff on egg albumin in half.

U.S. cattlemen will benefit from an expansion in Japan's annual high-quality beef imports from 16,800 tons to 30,800 tons by 1983.

In Japanese fiscal year 1977, Japan's high-quality beef from the United States were only 6,800 tons. Under a special agreement negotiated in January 1978, the Japanese agreed to increase their high-quality beef imports by 10,000 tons to the present 16,800 tons.

The United States, as the world's major producer of high-quality, grain-fed beef is expected to be the major beneficiary of this increased trade.

Other Japanese concessions of interest to U.S. cattlemen include a reduction in the tariff on beef offals from 25 percent to 15 percent and the complete elimination of the duty on tallow. Japan is one of the largest U.S. markets for tallow, importing about $40 million worth of tallow each year.

The minimum levy on pork imports will be reduced from 10 percent to 5 percent. Because of Japan's variable levy on imported pork, the actual levy may at times be considerably more than 5 percent, depending on market conditions.

The agreement includes several concessions of interest to U.S. oilseed producers, including a binding of the current duty-free status of soybeans. This binding will provide important protection for U.S. soybean producers, who exported $980 million worth of soybeans to Japan in 1978.

The European Community, the other major market for U.S. soybeans, also has a bound duty-free rate for imported soybeans.

The tariffs on both protein concentrates and protein isolates will be cut in half.

The agreement also provides for a significant reduction in the duty on crude corn oil and smaller reductions in the tariffs on cottonseed oil and soy oil.

There were also tariff cuts on such processed products as cake mixes, cookies, crackers, and yeast.

There were 37 tariff cuts on fruit and vegetable products, including avocadoes; grapes; lemons; grapefruit; raisins; prunes; various canned goods, including corn, cherries, peaches, pears, ripe olives, and fruit cocktail; and frozen foods, including cherries. cranberries, and vegetables other than potatoes.

Tariffs also will be cut on almonds, walnuts, macadamia nuts, lemon juice, and vegetable juice, and tariffs on orange juice, grapefruit juice, and grape juice will be bound at current rates. There will be tariff cuts on various processed foods, including canned soups, salad dressings, and sauces.

While Japan did not eliminate its orange import quotas during the summer as the United States had hoped, annual imports will nearly double from the present 45,000 tons to 82,000 tons by 1983.

This increase is especially significant when compared with imports before the special 1978 agreement that expanded the orange quota from 15,000 tons to the current 45,000 tons.

The orange juice quota will be more than doubled from 3,000 tons to 6,500 tons, and the grapefruit juice quota will increase from 1,000 tons to 6,000 tons. □

See also "Japan Reforms Import Quota Rules," p. 14.

Japan: Summary of Major Agricultural Tariff Offers

Commodity	Current rate	Offered rate	1978 value (1,000 dol.)[1]
Livestock and products			
Horse meat	7.5%	Free	5,308
Beef tallow	Free[2]	Free	45,974
Beef offals	25%	Free	107,843
Pork	Higher of 10% or difference between standard import and c.i.f. price times standard coefficient	Higher of 5% or difference between standard import and c.i.f. price times standard coefficient	101,832
Oilseeds and products			
Cottonseed oil, refined	Y20/kg	Y17/kg	19,910
Corn, soy oil, refined	[2]Y23/kg	Y20.7/kg	213
Corn oil, crude	[2]Y17/kg	Y10/kg	929
Fatty acids	[2] 6%	5%	5,956
Protein substance (isolates)	[2]16%	8.5%	[2]3,656
Protein concentrates	25%	12.5%	[2]1,125
Soybeans	Free[2]	Free	1,094,011
Fruits and vegetables			
Papayas	[2]10%	4%	[2]2,500
Sweet almonds	9%	4%	35,548
Roasted almonds	20%	10%	538
Walnuts	30%	20%	1,682
Macadamia nuts	20%	12%	[2] 50
Prunes	10%	4%	2,521
Raisins	5%	2%	23,088
Grapes (11/1-2/28)	20%	13%	1,490
Grapefruit			62,874
(6/1-11/30)	[2]20%	12%	
(12/1-5/31)	[2]40%	25%	
Lemons, limes	10%	5%	82,723
Canned peaches			11,630
Cans over 2 kg	[2]20%	15%	
Other	[2]20%	18%	
Fruit cocktail	[2]20%	14%	2,665
Sweet corn	25%	12.5%	11,101
Lemon juice	[2]20%	10%	1,451
Mixed vegetable juice	17%	9%	2,194
Wine	Y320/liter	55% (Max. duty, Y280/liter; min. duty, Y150/liter)	787
French and salad dressings	25%	15%	1,607
Various soups	30%	21%	2,437
Grain and feed products			
Cake mixes	25%	20%	88
Cookies and crackers	35-40%	30-34%	478
Dried peas	Y12/kg	10%	2,509
Seeds			
Vegetable seeds, incl. seed corn	5%	Free	7,150
Poultry			
Turkey	[2]10%	5%	1,436
Prepared and preserved poultry	25%	10%	764
Egg albumin	20%	10%	11,879
Chicken legs	20%	10%	[3] 22,849

[1] Japanese imports. Y210.47=$1.00. [2] Current rate; statutory rate is higher. [3] Estimate.

Food for Crude: An Unworkable Tradeoff

With the recent upward spiral in prices of crude oil, suggestions have arisen that the United States somehow exchange "food for crude." These proposals–variously including barter, a cartel of some sort, and inevitably state trading by the United States—have been directed primarily at members of the Organization of Petroleum Exporting Countries (OPEC). As enticing as the suggestions may sound, the hard fact is that they would probably not work, according to Dale E. Hathaway, U.S. Under Secretary of Agriculture, in recent testimony before two subcommittees of the House Agriculture Committee. Following are excerpts from his testimony.

If one believes that the United States can use wheat to enforce some kind of discipline on other nations, then it must be assumed that those nations are highly dependent on the United States for wheat. This is simply not true of the OPEC countries.

Last year, the 13 OPEC countries imported about 10 million metric tons of wheat, including 5.3 million tons from the United States. Carrying this a bit further, 64 percent of U.S. imports of OPEC oil came from only four countries—Saudi Arabia, Nigeria, Libya, and Algeria. These four countries sold the United States about $17 billion worth of petroleum, but they imported only 1.8 million tons of U.S. wheat ($240 million).

Any way you look at it, the OPEC market for U.S. wheat is relatively small. Moreover, these countries, since they do not have tremendous needs in relation to world supplies, have the option of turning to other suppliers and to other commodities.

Last year, the United States produced 49 million tons of wheat, and other countries produced 388 million tons. This raises two questions: How could the United States hope to corner enough of this wheat to control prices? Would not that be an enormous undertaking simply to raise prices on the 5 million tons of U.S. wheat now being sold to OPEC countries?

A customer nation with the ability to pay has many alternatives to U.S. grain. Producers outside the United States grow more than 85 percent of the world's wheat and over 80 percent of the world's total grains including rice. Dozens of other crops contribute staples—oilseeds, pulses, root crops, tree crops, and many others.

The upshot is that the United States produces only 15 percent of the world's food and provides only 17 percent of the world's food exports. These exports are highly important to U.S. farmers, but they do not suggest the kind of world leverage that many people suppose.

Even should a wheat cartel be created to include Canada, Australia, and Argentina, as well as the United States, this would by no means assure world dominance in that commodity. These four countries account for 60 million tons of wheat exports, including no more than 7 million tons to OPEC nations. Their exports represent three-fourths of the world total, but their production accounts for only one-fourth of the world total.

The Soviet Union is the largest wheat producer with almost a fourth of the world's annual crop. Western Europe produces a substantial amount of wheat—58 million tons in the past year—and is currently exporting. Turkey, Greece, Romania, and Sweden are countries that could possibly expand wheat exports in response to higher world prices. This all suggests that U.S. wheat farmers, highly dependent on export markets, would be the losers in any effort to use their product in a squeeze.

Even should it prove possible for the United States or a U.S.-sponsored cartel to set the world price of wheat, the customers affected most would not be OPEC countries but, rather, developing countries. Last year, the United States exported 21.1 million tons of wheat to the developing countries, about four times as much as sold to OPEC members. Moreover, some three-fourths of these sales to developing countries were commercial as opposed to concessional (P.L. 480). In the last 5 years, developing countries have each year taken between 58 and 65 percent of U.S. wheat exports.

The final incongruity in this wheat-for-oil argument is the enormous U.S. demand for OPEC crude relative to the OPEC nations' need for U.S. wheat. If the OPEC nations could be persuaded to exchange $18 oil for $4 wheat, how much oil would this yield? The answer is: Less than 200 million barrels—equivalent to a 10-day supply in this country or 23 days in terms of domestic use of imported oil. In less than a month, the United States would again be hungry for OPEC oil. And those countries would have a year's supply of U.S. wheat.

It is also contended that traditional U.S. markets in the developed world should be forced to pay higher prices for U.S. wheat. Last year, the United States sold 8.7 million tons of wheat to developed countries, with 3.3 million tons of that going to Japan.

Much has been made of the fact that Japan's Government maintains an international resale price substantially above current world prices. It is argued that the United States should raise wheat prices to Japan

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U.S. Crude Oil Imports From and Total Agricultural and Wheat Exports to OPEC, 1978

Country	Crude oil imports from	Exports to		U.S. wheat as share of OPEC oil
		Wheat	Total agriculture	
	Mil.dol.	*Mil.dol.*	*Mil.dol.*	*Percent*
Saudi Arabia	5,260.3	9.4	315.3	0.2
Nigeria	4,547.4	106.4	300.4	2.2
Libya	3,719	4.8	12.9	.1
Algeria	3,311	85.2	143.5	2.6
Indonesia	2,688	71.2	317.0	2.6
Iran	2,684	154.6	431.6	5.8
United Arab Emirates	1,840	0	30.9	0
Venezuela	1,155	101.8	386.7	8.8
Qatar	318	0	5.4	0
Iraq	237	83.8	139.2	35.4
Ecuador	220	32.3	81.5	14.7
Gabon	163	0	1.1	0
Kuwait	42	0	20.6	0
Total	26,186	646.4	2,247.3	2.5

Mexico's Economy Gains as Farm Trade With U.S. Expands

By Donald M. Nelson, Jr.

Mexico's economic picture improved overall in 1978, and prospects for 1979 remain good despite a number of challenges for the nation's economic planners. Although the output of several major food crops rose last year, Mexico's total farm production failed to keep pace with demand. This situation is likely to continue in 1980.

As a result, sizable imports of basic grains and oilseeds will again be necessary this year with the likelihood that most of these imports will come from the United States. Mexico's Gross Domestic Product is believed to have increased about 6.6 percent in 1978, considerably better than the figures of 3.2 in 1977 and 1.7 in 1976. The country's agricultural production increased about 2 percent last year.

However, Mexico, with a population of almost 67 million, is presently growing at an annual population rate of nearly 3.0 percent.

Mexico enjoys a well-balanced economy and plans to preserve that equilibrium in the future, although there is a tendency to look to petroleum earnings for financing development in other sectors. Inflation continues at a high rate, with estimates for 1979 ranging from 12 to 18 percent. Thus, caution will be necessary to provide stable growth while at the same time reducing inflation to a more manageable level. Unemployment and under-employment continue high.

Two-way farm trade between Mexico and its largest agricultural supplier and customer, the United States, topped $2 billion for the first time in calendar 1978. The U.S. farm deficit with Mexico narrowed to $202 million last year, compared with $349 million in 1977.

Value of U.S. farm exports to Mexico rose to $902.9 million (from $664.4 million in 1977), making Mexico the ninth leading U.S. farm market worldwide. U.S. agricultural imports from Mexico increased slightly from $1.0 billion in 1977 to $1.1 billion in 1978.

Turning to the major commodities, the leading U.S. agricultural exports to Mexico in 1978, in millions of dollars, (with 1977's value in parentheses) were: Soybeans, $178.8 ($108.3); corn, $159.2 ($175.7); wheat, $88.7 ($41.2); sunflower, $80.2 ($5.1); sorghum, $65.0 ($66.8); and cattle hides, $49.3 ($35.2).

The top U.S. imports of Mexican farm products, also in millions of dollars, in 1978 (with 1977's value in parentheses), were: Coffee, $295.0 ($397.0); tomatoes, $161.1 ($149.4); live cattle, 815,015 head worth $129.7 million (594,000 head worth $80.2 million); beef, $56.4 ($38.3); and cucumbers, $42.4 ($17.9).

Despite the drought, Mexico's grain production during 1978 (1978/79 crop cycle) is estimated at 16.3 million metric tons, up from 15.6 million in 1977. Although output improved, it still fell 750,000 tons short of the 1976 level. As in 1977, precipitation—or rather the lack of it—was the most critical factor affecting grain production.

Corn, undisputably Mexico's basic foodgrain, suffered from one of the most severe droughts in the country's history. Crop estimates have been scaled down to 10.1 million tons, still 400,000 tons above 1977's level.

Wheat production in 1978 is now placed at 2.3 million tons, the same level as in 1977, despite a decline of about 15,000 hectares in harvested area. Last year's wheat crop is believed to have included 400,000 tons of dark amber Durum wheat not normally considered suitable for bread-making purposes.

Production of sorghum, the primary feedgrain utilized in Mexico by the mixed-feed industry, is estimated at 3.0 million tons, an increase of about 200,000 tons from the 1977 level. Yield performances suffered from the impact of the extended drought, although the increase in production was still achieved due to an estimated 100,000-hectare expansion in harvested area. Barley output rose 16 percent from 1977's level to 465,000 tons.

The country's major rice areas also suffered from the prolonged drought and production declined dramatically, with milled rice output estimated at 260,000 tons, some 90,000 tons shy of the 1977 outturn and only about 55 percent of the record 1975 production.

Looking ahead to the 1979 season (1979/80 crop cycle), weather again is likely to be a crucial factor in determining Mexico's farm output. The outlook for grain production is for slight improvement over the drought-reduced levels of 1978. With the exception of wheat, production estimates for 1979 are a bit premature because most grain crops were not planted until April or May.

However, it now appears that Mexico's 1979 wheat output will approach only 1.9 million tons, a drop of 19 percent from the year-earlier level. The decline is largely due to an estimated 150,000-hectare reduction in wheat area in the dominant producing State of Sonora. The decline in area is attributed to a combination of grower preference for more remunerative crops and an unusually rainy winter that delayed planting.

Corn production in 1979 is projected to increase to 10.4 million tons in response to growing demand and, more importantly, because of Government stimulus through higher support prices. Outturns of sorghum and barley are expected to

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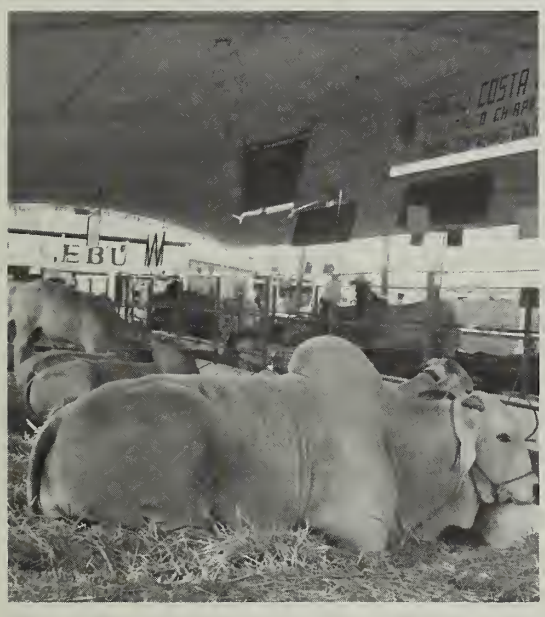

Clockwise from top left: Women picking strawberries; Mexican corn. Imports, mostly from the United States, are expected to fall sharply in 1978/79, but rebound again in 1979/80; cotton being loaded for export—Mexico's cotton sales are expected to rise substantially in 1978/79; Brahman cattle at livestock show in Mexico.

increase to 3.1 million tons and 500,000 tons, respectively.

Enhanced water supplies for irrigation of rice in Sinaloa, the largest rice-producing State, are expected to lead to an expansion in area to 1977's level, resulting in a rebound in milled rice production to about 350,000 tons—on par with 1977's outturn.

Mexico's total oilseed production for 1978 is estimated at 1.78 million tons, nearly 40,000 tons below the year-earlier level. The decline stemmed mainly from a shortage of irrigation water in the Northwest. During the early 1970's, Mexico's oilseed crop-mix changed significantly. Cottonseed and safflower, traditional oilseed mainstays, were joined by increasing levels of soybean output, which surpassed both cottonseed and safflower for the first time in 1975.

In 1978, however, soybean production fell to third place as a result of a 36-percent production drop to 330,000 tons. Meanwhile, safflower gained the No. 1 spot with an outturn of 550,000 tons, an improvement of 34 percent from that of 1977. Cottonseed production slipped 11 percent to 530,000 tons.

The outlook for 1979 calls for gains in all three crops: Soybeans to perhaps 500,000 tons; cottonseed to about 550,000 tons; and safflower close to 650,000 tons.

Mexico reported a larger 1978 horticultural crop production. The Government estimates total outturn of fruits, treenuts, and vegetables at US$1.8 billion, a jump of 50 percent from that of 1977. Production of fruits and treenuts is valued at $1.0 billion and that of vegetables and melons at $800 million.

Output of leading crops, with percentage gains from 1977 in parentheses, were: Apple, 342,000 tons (+24); pineapple, 500,000 tons (+5); tomato, 1.2 million tons (+9); and strawberry, 85,000 tons (+5).

Prospects for 1979 indicate a slightly larger production of the country's horticultural products if weather conditions are favorable.

In other major crop sectors, Mexico's 1978/79 cotton output is reported at 1.5 million bales (480 lb net), slightly below the 1.6 million bales of 1977/78. A small improvement is expected in 1979/80.

The country's output of tobacco leaf rose 5 percent in 1978 to 68,000 tons (farm

weight basis) as a result of expanded area and larger yields. Coffee output in 1978/79 is estimated at 3.8 million bags (60 kilograms each)—green basis—5.1 percent under the year-earlier outturn. The outlook for 1979/80 points to another good harvest of perhaps 3.8 million bags.

Benefiting from a larger area, improved cane yields, and better extraction rates, Mexico's raw sugar production reached a record 3.03 million tons in 1977/78, a gain of 12 percent from that of 1976/77. Output should reach 3.2 million tons in 1978/79.

Honey production in Mexico, the world's largest exporter, plummeted to 49,000 tons in 1978, 22 percent below 1977's record 60,000 tons which resulted from exceptionally good weather. In 1979, a trend towards more beehives, now estimated at 1.7 million, should continue and lead to increased honey output.

The 1978 season featured contrasting weather extremes in the northern cattle producing area—early drought conditions; sporadic rains and very hot weather in July and August; and heavy rains in September and October that filled ponds, providing much needed water to the livestock industry. The country's northern area is an important supplier of cattle and meat to the United States while the rest of the country supplies mainly the domestic market.

Total 1978 slaughter is estimated at 6.2 million cattle, 5.9 million hogs, and 900,000 sheep. Beef production is placed at 1.0 million tons.

Mexico placed a ban on exports of beef in January 1979 because of marked increase in meat prices, and encouraged ranchers to supply more animals to the Mexico City markets. The ban was still in place in May 1979.

Mexico is a deficit producer of dairy products and an important market for U.S. dairy breeding cattle.

On the poultry side, egg production in 1978 is estimated at 8.4 billion pieces, slightly above that of 1977. Broiler output is placed at 290,000 tons, 8 percent greater than 1977's level, as broiler prices increased—although at a lesser rate than those for beef.

Preliminary forecasts for 1979 indicate a slaughter of 6.1 million cattle, 6.1 million hogs, and 900,000 sheep. Total red-meat output is forecast at 1.5 million tons, about the same as in 1978.

Mexico's total grain imports in 1978/79 are estimated at 3.4 million tons, up 13 percent from those of the year earlier. Wheat imports, at 1.0 million tons in 1978/79, are expected to rise to 1.2 million in 1979/80, with the bulk of imports in both years coming from the United States.

Because of massive port congestion and a dramatic drawdown in stocks, Mexican corn imports are expected to fall from 1.7 million tons in 1977/78 to an estimated 1.0 million in 1978/79. However, imports are expected to recover to about 1.8 million tons in 1979/80. The United States supplies most of these imports.

Sorghum imports hit a record 1.2 million tons in 1978/79, but are expected to dip to 1.0 million in 1979/80, with the U.S. share being about 75 percent and the remainder belonging to Argentina.

With its swine and poultry industries expanding rapidly, Mexico's oilseed imports jumped 57 percent to 1.22 million tons in 1978/79, as soybeans imports rose 300,000 tons to 900,000 tons (90 percent of U.S. origin) and sunflowerseed imports doubled to a record 300,000 tons (90-95 percent from the United States). Soybean imports are expected to be around 900,000 tons again in 1979/80.

On the other side of the trade coin, horticultural products are the most important group of Mexican farm exports to the United States. During January-November 1978, U.S. imports of these Mexican products totaled $429.4 million, compared with $367.2 million for all of 1977.

The sharp 38-percent decline in Mexican coffee exports to 1.46 million bags in 1977/78 represented a significant hardship to the country's economy because coffee is the No. 1 agricultural export earner and is third overall behind petroleum and base metals. Green coffee exports are seen rebounding to a more normal level of 2.2 million bags in 1978/79.

The 1979 Mexican beef allocation under the U.S. voluntary restraint program has been set at 76.6 million pounds. Because of the closing of the border, Mexico's 1979 beef exports to the United States are now forecast to be considerably lower than the voluntary restraint level.

Mexican cotton exports in 1978/79 are estimated at 900,000 bales, up substantially from the 597,000 bales exported in 1977/78. Tobacco exports—most of which went to the United States—gained 15 percent in 1978 to 21,000 tons and should improve slightly to 22,000 tons this year.

Mexico fulfilled its export quota of 70,000 tons under the International Sugar Agreement in calendar 1978, with all exports going to the United States. Honey exports dipped to 40,000 tons in 1978 from 53,000 in 1977. □

Japan Reforms Import Quota Rules

Although Japan continues to maintain import quotas on more than 20 agricultural products, reforms are being drafted to make the administration of quotas more consistent with the new import licensing procedures recently negotiated through the MTN.

The reforms—to be implemented on January 1, 1980, if the MTN are concluded successfully—are summarized below:

• If requested by another country, information will be provided on the operation of import restrictions, import approvals recently issued, and distribution of such approvals among supplier countries.

• Public announcement will be made of the total quantities of quotas allocated and the beginning and ending dates of the allocations.

• Public announcement will be made at the earliest possible time prior to the date of quota allocations concerning conditions on such allocations and a list of items involved will be included.

• Requests for allocations will be processed as early as possible and the periods of validity of allocations will be of reasonable duration.

• Special consideration will be given to developing countries, particularly those that are new to market. □

Larger 1979/80 Oilseed Output Enables Argentina To Reach New Export Peak

Argentina oilseed output and exports are expected to reach record highs in the 1979/80 marketing year (MY1979/80), spurred by large production increases in most oilseed categories. Exports of seed vegetable oils and meals also generally are projected at higher levels than in the previous marketing year, especially those of soybeans, peanuts, and sunflowerseed.

Argentina has emerged as an important competitor with the United States for the EC (European Community) soybean market.

Argentine production of all oilseeds in MY1979/80 is forecast at 6.5 million metric tons—nearly 12 percent greater than the previous season's estimated record output of 5.8 million tons.

However, heavy rains during the flaxseed harvest, and dry weather during the cotton-growing season, have reduced output of both of these oilseeds.

This year's soybean crop is forecast at 3.8 million tons—more than 40 percent larger than last season's 2.7-million-ton crop. However, because the major portion of the crop will be harvested later this year than last, the probability of frost damage is higher.

Planted soybean area is estimated at 1.8 million hectares, compared with 1.3 million hectares the year before. Area expansion occurred primarily in the Provinces of Santa Fe, Córdoba, and Buenos Aires, and is largely the result of double cropping with wheat, peas, and flaxseed, as well as some shift from corn, sunflowerseed, and pasture.

Sunflowerseed production is forecast at 1.3 million tons—a drop of 18 percent from last year's 1.6 million tons. The drop is largely laid to reduced plantings, which were 400,000 hectares less than the 1978/79 figure of 2.2 million hectares. Some farmers shifted from sunflowerseed to soybeans, cotton, and—to a lesser degree—to cattle after beef prices began to rise.

On a shelled basis, peanut production is forecast at 400,000 tons—more than 53 percent larger than last year's weather-damaged crop of 260,000 tons—based on an estimated record yield this year of 1.2 tons per hectare.

Cottonseed production has been revised downward to 320,000 tons, based on reduced yields and harvested area. Planted area is some 690,000 hectares—11 percent above the previous season's. The production drop is attributed to dry weather in Chaco and Formosa, the principal producing Provinces, but the drop was offset somewhat by shifts from sunflowerseed to cotton in Chaco.

Heavy rains during the flaxseed harvest in northern Buenos Aires, Entre Rios, Santa Fe, and Córdoba Provinces reduced yields to 0.75 ton per hectare, the lowest level in 6 years. Consequently, flaxseed production is forecast at 630,000 tons—26 percent below last season's crop of 855,000 tons.

The oilseed crush in 1979/80 is forecast at 3.3 million tons—7 percent more than the 3.1 million tons estimated for last season. Larger soybean, peanut, and sunflowerseed crushings are expected to more than offset the sharp fall in flaxseed crushings, which are forecast to drop by nearly 19 percent to 550,000 tons because of a small harvest.

Production of all edible vegetable oils is seen 15 percent greater at 720,000 tons and inedible oil production, 17 percent smaller at 186,000 tons. Currently, Argentine crushing mills can handle 4 million tons a year. Almost all of these mills can crush more than one kind of oilseed.

The new record for 1979/80 oilseed exports is some 2.9 million tons, but only about 500,000 tons greater than the previous year's 2.4 million tons. Soybean exports are seen climbing by 41 percent to 2.8 million tons, an estimate based on the greater availabilities.

In 1978, Argentina shipped 1.3 million tons of soybeans to the EC (excluding Ireland). (The United States shipped 8.8 million tons.)

Combined sunflowerseed and flaxseed exports are expected to drop to about 45,000 tons (compared with the previous year's exports of 416,000 tons) because of greater international demand for linseed and sunflowerseed oils.

Combined exports of all vegetable oils and meals are forecast to reach a new peak in MY1979/80. Vegetable oil exports may reach 584,000 tons—11 percent greater than the previous season's estimate of 524,000 tons. Oilseed meal shipments in the current marketing year are forecast at 1.6 million tons, compared with 1.4 million tons in MY1978/79.

Vegetable oil consumption has climbed in recent years in Argentina and is estimated to reach 327,000 tons in 1979/80—4 percent greater than in the previous year. Nearly 77 percent of this rise is expected to be of sunflowerseed oil (the country's most widely used vegetable oil) and to a lesser degree, soybean oil. Sunflowerseed oil represents more than 70 percent of the vegetable oils consumed in Argentina, soybean oil about 13 percent.

The outlook is that oilseed production will continue to climb, especially for soybeans. The shift from corn to soybeans will continue into 1980/81, provided soybean prices are about twice as high as corn's.

Recently, the ratio was 2.9:1, in favor of soybeans.

The most important factor that might dampen Argentina's oilseed and product exports is the lack of adequate port facilities. At the present time, Argentine ports can effectively handle between 2.2 million and 2.4 million tons a month for all commodities.

However, legislation is pending to establish a Central Port Authority and sell one-third of the port terminals to the private sector. It is hoped that a central agency to coordinate port activities and the drive for profits by the new owners will provide the incentives to speedily solve further port problems.—*Based on report from Charles J. O'Mara, U.S. Agricultural Attache, Buenos Aires.* □

UAE Farm Imports May Hit $1 Billion in '79

By John B. Parker, Jr.

The United Arab Emirate (UAE), consisting of seven Arab countries clustered on the Persian Gulfcoast of the Arabian Peninsula, is expected to be a $1 billion market for farm products for the first time in 1979. Agricultural exports from the United States are expected to be double the $30.9 million shipped to that group in 1978.

UAE agricultural imports from all sources rose from $530 million in 1977 to about $670 million in 1978—a gain of 26 percent.

Among these sources was Australia, whose agricultural exports to the UAE rose from $65 million in 1977 to over $100 million in 1978. Increases in earlier years were similarly steep.

According to data accumulated by several international agencies, total agricultural imports by all seven Emirates making up the UAE increased from $197.4 million in 1974 to $305.0 million in 1975.

Dubai is the UAE member most actively engaged in world trade, usually accounting for over 60 percent of the group's agricultural imports. Abu Dhabi's petroleum wealth provides about 80 percent of the UAE Federal budget, but Abu Dhabi accounts for only 30 percent of UAE food imports.

Sharjah is the third most important food importer among the Emirates, followed by Fujairah, and Ras-al-Khaimah. The other two Emirates—Ajman and Umm Al-Qaiwain—are usually minor food importers.

Two of the factors that have appeared recently are the emergence of Dubai as a distribution center for grocery products enroute to other UAE members, and the opening of new, modern stores in Dubai, itself. Of Dubai's total imports, 20 percent consist of processed foods, 15 percent of meat and meat products, and 25 percent of grain.

The European Community provided about 25 percent of the UAE's agricultural imports in 1978, Pakistan and Australia about 15 percent each. The U.S. share of the UAE's agricultural imports was about 4.6 percent in 1978, almost double the 1977 total.

Japan and Taiwan were important suppliers of agricultural items largely because of their sizable deliveries of fruit juices and canned fruits, bought largely to satisfy the demand from immigrant workers.

India has been a major source of imported fruits and vegetables by the UAE, but the ban on exports in early 1978 of Indian onions and potatoes caused UAE importers to turn to other suppliers, particularly Cyprus and Egypt.

The UAE markedly boosted its imports of U.S. canned fruits, fruit juices, eggs (over $1 million), almonds, and snack foods in 1978.

Most U.S. exports to the UAE in 1978 were grains and, in the latter half of the year, some of the rice originally destined for Iran was diverted to UAE importers, causing U.S. rice shipments to that region to rise from 1,509 tons in 1977 to 27,617 tons in 1978.

The value rose from less than $1 million to almost $11 million. The U.S. share of the 1978 UAE rice import market was 20 percent

In recent years, rice has been the leading UAE import in terms of value, although imports of tea, frozen poultry, milk, and fruit juices have grown at a faster pace. In recent years, Pakistan has provided more of the UAE's rice imports than in the more distant past. Pakistan is normally followed by India, Thailand, and the People's Republic of China.

Much larger rice imports are expected in 1979, and again Pakistan will be the No. 1 supplier.

Since 1974, UAE imports of wheat and wheat flour also have grown at a faster pace than those of rice. Wheat arrivals from Australia were higher in 1978 than the 260,900 tons valued at $34 million, reported in 1977.

Larger wheat flour purchases from the European Community and Australia pushed UAE flour imports to about 70,000 tons in 1978. Wheat flour imports of about 50,000 tons arrived annually from Australia during 1976-78.

U.S. exports of wheat flour to the UAE increased to about 3,000 tons (valued at $1 million) last year—a gain of 33 percent over the previous year's.

Lower world prices for wheat flour have been behind the surge in UAE wheat flour imports. The volume of such imports rose from 32,000 tons in 1976 to 65,000 tons in 1977. During 1977/78, the volume of wheat imports was about 265,000 tons, with some 97 percent from Australia.

New broiler enterprises and dairies have bolstered the UAE demand for imported feedgrains. Barley imports from Australia and France have risen. Thailand and Sudan are selling more sorghum to the UAE.

These, with shipments from other countries, brought total imports of feedgrains to 30,000 tons in 1978, valued at $5 million—up from 11,500 tons in 1977 worth $1.3 million.

Despite the sharp rise in food imports by the UAE, these purchases consume only a small part of the funds earned by UAE exports, which exceed $8 billion annually. New projects to produce liquified natural gas for export may push total export earnings to over $10 billion in 1979, reducing the food import share to an even smaller figure.

The influx of immigrant workers into the Emirates since 1973 has been a major factor in the rapid growth of the region's agricultural imports. Total population in the UAE may reach 1 million this year—quadruple the 1972 level.

Per capita yearly income now exceeds $11,000 and work on construction projects will continue to provide high wages for thousands of workers.

Many new supermarkets, restaurants, and trading firms have opened to accommodate the demands of immigrant workers on these projects. □

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Japan, Korea, Taiwan And Hong Kong Add Up To Billion-Dollar Market For U.S. Cotton

The competitiveness of U.S. cotton remains strong in Japan, South Korea, Taiwan, and Hong Kong and the U.S. position in these four important markets should continue to strengthen over the near term, reports the U.S. Cotton Trade Team[1] that recently returned from these large Asian markets.

The importance of these four markets to U.S. cotton farmers is underscored by these statistics: In calendar 1978, these markets combined to take about $1 billion worth of U.S. cotton—or 58 percent of all U.S. cotton exports for the year. On a volume basis, they accounted for 3.718 million bales (480 lb net) of U.S. cotton—60 percent of all U.S. shipments last year.

These markets have several characteristics in common. They have high population densities, efficient domestic cotton textile industries, and strong economies with significant rates of growth. However, inflation is a common problem besetting these markets.

Very little cotton is grown in Korea, and no cotton is grown in Japan, Taiwan, or Hong Kong, so they are import-oriented, often turning to the United States for cotton purchases. The U.S. share of the cotton market last year ranged from a little more than one-third in Japan to 96 percent in Korea.

In each market, the team found spinning industries operating at favorable levels and that cotton consumption is running high. While the Korean industry plans to expand further, the industries in Japan and Hong Kong are retrenching and attempting to further modernize and rationalize operations. The Taiwan industry is being encouraged to consolidate smaller units in order to raise overall efficiency.

On the trip, the team held in-depth discussions with government officials, agents for U.S. cotton exporters, cotton merchants, representatives of cotton spinning mills, and others.

In Japan and Korea, the team reviewed the cooperative cotton market development programs of the Cotton Council International (CCI). Also while in Japan, the team discussed the cotton promotional activities carried out by the International Institute for Cotton (IIC) in cooperation with local spinners, garment-makers, retailers and others. The promotional activities of CCI and IIC are benefiting U.S. cotton in these markets, and local cooperators.

The team also was impressed by the close relationships that the U.S. cotton industry has established with the cotton trade and the spinning industry in each market. Goodwill was found on both sides and the team feels it would be in the best interests of U.S. cotton that this important trade factor be continued and nurtured.

The CCI recently opened a regional office in Hong Kong to strengthen ties with the cotton trade and textile industries throughout the Far East for the long-term benefit of U.S. cotton in that important area of the world.

Japan. The Japanese textile industry continues to rationalize and modernize its operations to overcome the competitive disadvantage resulting from considerably higher labor costs compared with other Far East countries. At the end of 1978, Japan had approximately 10.2 million spindles, 11,386,000 at the end of 1974.

Activity in the Japanese spinning industry has been at a favorable level in recent months, reflecting a recovery in cotton yarn output and a climb in prices. There is no current basis for a production curtailment, which was in effect under a cartel arrangement from 1975 to June 1978. In other developments, more than a million spindles have been demolished, an oversupply of cotton products was reduced from the equivalent of 923,000 bales of yarn (400 pounds each) as of December 1976 to 703,000 in mid-1978, and domestic demand for cotton products has improved.

Nevertheless, the industry is concerned about rising imports of textile products from neighboring low-wage countries that represent a significant proportion of the domestic offtake of textiles.

Japan continues to be the largest cotton importing nation in the world. Normally, Japan is the biggest importer of U.S. cotton—and this could be the case in 1978/79 (August-July). Imports from all sources this season are expected to total about 3.4 million bales, according to the Japan Cotton Traders Association—and about 1.2 million bales will be U.S. cotton. This compares with a total of 3.2 million bales imported in 1977/78, of which the United States supplied slightly over 1.0 million. The United States is supplying 35.5 percent of the cotton this season, compared with 31.8 percent last season.

Buoyed by improved textile activity during the past year and rising domestic textile offtake, Japan's 1979/80 imports of U.S. cotton should be at about the same level as during the present season.

However, Japanese industry representatives indicated concern about a possible decline in general economic activity later in 1979 and the possibility of even further increases in imports of textile products from developing nations. Recent strengthening of the U.S. dollar vis-a-vis the Japanese yen tends to diminish the competitive position of U.S. cotton, but it is not expected to significantly adversely affect Japanese imports of U.S. cotton next season.

While recognizing that the United States must consider many factors in authorizing U.S. Export-Import Bank credit for cotton exports to Japan, representatives of Japanese spinning mills hope that such credit will continue. The team believes this credit has helped significantly to assure U.S. cotton a prominent position in the Japanese market.

The Japanese are generally pleased with the characteristics of U.S. cotton, the reliability of U.S. exporters, and the speed of

[1] **The group included Team Leader John E. Lawrence, Sr. of James Lawrence & Company, Boston, and Peter Hirschfeld of H. Molsen & Company, Inc., Dallas, both representing the American Cotton Shippers Association; Tom Akers, Jr. of Calcot, Bakersfield, Calif., for AMCOT; cotton farmer Stanley Willis, Arvin, Calif., of the National Cotton Council's Producer Steering Committee; Carl C. Campbell of Cotton Council International, Washington, D.C.; and Joseph H. Stevenson, FAS-USDA. The team visited the four markets March 25-April 7, 1979.**

shipments. The team discussed with Japanese importers and spinners various matters relating to U.S. cotton supply, its movement, and other aspects of trade.

Under the cooperative market development program with CCI, the Japan Cotton Promotion Institute (JCPI) collaborates with mills, designers, garment makers, retailers, and others in the promotion of 100-percent cotton products made principally from U.S. cotton. Under the IIC program, JCPI collaborates in promoting 100-percent cotton products made from cotton of all growths, including those of the United States.

In both programs, the local collaborators pay at least 50 percent of the costs of the cooperative promotion projects.

The level of activities under both programs has been reduced because of the longer-term decline of the dollar and inflation. However, representatives of JCPI, IIC and the Japanese cooperating firms emphasized that cotton promotion activities should be continued and expanded if cotton is to maintain its position in the Japanese market.

Ways to benefit U.S. cotton

- Maximum efforts should be made in the United States to store all cotton in warehouses, and when not possible, to cover and protect bales stored in the open.
- Encourage U.S. gins and compresses to use bale ties and buckles which will not stain cotton.
- Take precautions to ensure that polypropylene, or other foreign matter, is not incorporated in bales, because foreign matter in cotton bales adds considerable problems and costs in textile processing. And, to the extent feasible, U.S. cotton bales be covered with Hessian or cotton cloth.
- The U.S. cotton industry and Government work with the Japanese in trying to assure reasonable ocean freight rates for cotton.
- Representatives of the U.S. Government, the cotton-producing states, and the cotton industry collaborate in trying to get cotton moved from the interior to U.S. ports in an efficient manner.
- U.S. farmers should make maximum efforts to produce cotton with characteristics desired by Japanese mills, and that the U.S. cotton industry should provide information to foreign importers and spinning mills about new varieties before they are produced in volume and offered for export.
- The U.S. Government and the cotton industry continue to collaborate in cooperative market development activities in Japan, and try to raise the U.S. contribution.
- The U.S. Export-Import Bank should provide cotton credit to Japan.

Korea. The Korean textile industry has grown rapidly in recent years, with spindleage increasing from only 902,000 in 1970 to 2.6 million in 1978, and plans call for further expansion to 3.2 million by the end of 1979. The sectors of weaving, finishing, and made-up goods of the industry are expanding in tandem with the spinning sector. Indications are that the industry will continue to grow, although at a slower pace, as Korea intends to continue to depend upon exports of textile and apparel to generate foreign exchange.

As in recent years, efforts are being made to upgrade the quality, design, and style of Korean textile products in order to offer a more diversified line for export.

Korea must import almost all the cotton consumed. Compared with the consumption of 466,000 bales in 1970, Korea consumed 1.2 million bales in 1978, and it is estimated that Korea will use 1.4 million bales in 1979.

Although cotton consumption has increased dramatically, cotton has encountered strong competition from manmade fibers. Cotton's share of the total fiber market (i.e., fiber for production of textile for both domestic use and export) declined from 65 percent in 1970 to 36 percent in 1977.

Imports of raw cotton also have increased significantly from 448,000 bales in 1970 to 1.3 million in 1978. It is anticipated that imports this year will be at the same level as in 1978. U.S. cotton's share has been 96 percent or more in this decade.

If the United States can continue to provide satisfactory financing for cotton exports to Korea, it is likely to maintain its market position.

The team discussed with Korean cotton agents and spinners a variety of technical matters of mutual interest pertaining to the sale and handling of U.S. cotton.

Under the USDA's agricultural market development program, the Spinners and Weavers Association of Korea (SWAK) is carrying out an effective cotton promotion program in Korea in collaboration with the CCI—with Korean cooperators paying at least 50 percent of the costs. The program's primary objective is to help mills, garment makers, retailers, and others to market more of their 100-percent cotton products—manufactured principally from U.S. cotton—in the domestic market.

Ways to benefit U.S. cotton

- Because of increased funding requirements for Korea's rapidly expanding economy, most industries require considerable credit to maintain operations at the desired level. By providing credit for cotton, the United States has built a predominant position as a cotton supplier to Korea. The team feels maximum efforts should be made to continue to provide cotton credit, through the Commodity Credit Corporation (CCC).
- Steps should be taken to facilitate movement of U.S. cotton from the U.S. interior to Korean mills, and current information should be provided to Korean agents and customers on this movement and on conditions at U.S. ports.
- A uniform industry policy should be developed regarding payment of bank charges pertaining to U.S. cotton exports.
- Efforts should be made to drop the requirement that U.S. cotton be transported on Korean flag vessels in order to facilitate trade and prompt movement of cotton.
- Osaka trading rules should be observed in filing quality claims unless there is a mutually agreeable arrangement between seller and buyer for the buyer to submit a late claim.
- U.S. cotton could benefit from expansion of promotion activities in the Korean market and there should be increased servicing of the market including technical services.

Taiwan. The textile industry has approximately 3.0 million spindles and is operating at a favorable level. However, the industry is concerned about the possibility of a general economic slowdown later this year.

Since there are a number of small, inefficient mills in Taiwan, mergers and consolidation of the industry are being encouraged to improve efficiency and management. Incentives include tariff and commodity tax reductions for imported materials; duty-free privileges for imports of automated production machinery and research and quality control equipment; priority in receiving loans for purchases of new equip-

ment; loans to cover costs of establishing joint export groups; and 5-year tax holidays or accelerated depreciation for new dyeing and finishing mills and garment factories that meet proposed standards.

The Taiwan textile and apparel industry is generally geared to exports, but it is expected that the domestic market will become more important as per capita income increases.

Although the Taiwan textile industry enjoyed a long period of readily available workers, the recent dynamic expansion of the Taiwan economy has caused the industry to experience a labor shortage. It appears the industry will stabilize near the present level, but continuing efforts will be made to improve efficiency, to lower per unit costs, and to improve product quality.

Taiwan's cotton consumption has grown to approximately 1.0 million bales annually and is expected to remain at around this level in the near future. Taiwan imported 1,094,310 bales of cotton in 1978 and imports are also expected to continue at around this level for the foreseeable future.

In 1978 the United States supplied 539,743 bales of cotton to Taiwan—or about one-half of total imports. Since Taiwan is encouraging purchases from the United States, it is expected that Taiwan will continue to import about 50 percent or more of its cotton requirements from the United States, provided U.S. cotton is competitive.

Ways to benefit U.S. cotton

• The U.S. cotton industry could expedite development of a uniform contract and trading rules for sale of U.S. cotton to Taiwan. Such measures could preclude development of many problems that have hampered trade in the past.

• Efforts should be made to develop an equitable system for verifying facts regarding causes of delays in shipments.

• The Committee for International Cooperation between Cotton Associations (CICCA) should consider inviting representatives of Taiwan and perhaps certain other countries to attend CICCA meetings as observers. This would result in a better understanding of international trading rules for cotton and the problems associated with this trade.

• CCI might undertake a project to help Taiwan mills and agents to gain a fuller understanding of how U.S. cotton is graded and merchandised, and a pilot market development project with Taiwan mills, garment makers, and/or retailers. Such a project might include seminars to discuss: U.S. cotton and its grading; trading rules and practices concerning the merchandising of U.S. cotton; and techniques for hedging risks involved in holding inventories and in forward purchases of cotton.

Hong Kong. At the end of 1978, Hong Kong had approximately 786,000 spindles, of which about 61,000 were open-end rotors. Currently, the textile industry is operating at a satisfactory level, but there is some apprehension because some countries are taking actions to restrict imports of Hong Kong textiles and apparel, and because low-wage developing countries are competing more and more with Hong Kong exports. There is also concern about a possible general economic slowdown later this year in the developed countries, which would dampen demand for Hong Kong textile exports.

Wages in Hong Kong continue to rise. On the average, wages rose about 8 percent in 1978, and the average textile worker's wage was approximately US$150 per month at the end of 1978. With the development and expansion of other industries, such as the electronics industry, the Hong Kong textile and apparel industry is experiencing difficulty in obtaining and retaining qualified workers.

Because of increasing competition, the Hong Kong industry is spinning finer counts of yarn and upgrading the design and fashion of textiles and apparel. Also, some observers think that production capacity may continue to decline.

In 1978/79, Hong Kong is expected to consume 850,000 bales, of which an estimated 50 percent will be U.S. cotton. It is expected that Hong Kong will reduce imports to around 800,000 bales in 1979/80 as mills cut back relatively large cotton stocks because of the currently high cost of carrying inventories. Mills now have to pay 13 percent or more interest per annum to finance cotton stocks.

As the average yarn count spun in Hong Kong is increased, some observers believe Hong Kong's cotton consumption and imports will decline.

Because of the dependability of U.S. cotton exporters and desirable characteristics of U.S. cotton, Hong Kong mills are favorably inclined toward U.S. cotton when it is competitive in price, quality, and availability.

In recent years, Hong Kong has imported significant quantities of cotton from such other sources as Pakistan, the Soviet Union, Latin America, and East Africa. Some years, however, cotton is not readily available in quantity from these sources. For instance, this season a small crop in Pakistan cut supplies available for export, and the Soviet Union is offering only sparingly this season. Under similar circumstances in the future, the United States probably will be able to supply 50 percent or more of Hong Kong's cotton needs.

Regarding market development opportunities, most textiles consumed in the domestic market are imported. Hong Kong textile and apparel industries give priority to exports, so manufacturers have very little interest in promotion activities in the Hong Kong market. Under these circumstances, any cooperative market development projects must be carried out with importers, distributors, and/or retailers.

CCI has been collaborating with a leading Hong Kong department store chain in a small project for the promotion of 100-percent cotton products imported from the United States. As Hong Kong's economy grows and per capita income increases, market development activities there should expand since Hong Kong's hot, humid weather encourages the use of cotton.

Ways to benefit U.S. cotton

• U.S. cotton industry representatives should continue to strengthen their liaison with Hong Kong mills.

• FAS and CCI should continue to invite representatives of Hong Kong spinning mills to participate in the U.S. Cotton Orientation Program.

• FAS and CCI should continue to send U.S. cotton trade teams to Hong Kong periodically to consult with spinners there about matters of mutual interest.

• Cotton promotion activities in the Hong Kong market should be expanded when conditions warrant. □

U.S. Delegation Assesses Crop Conditions in Poland and Romania

The near-drought conditions that have dampened Soviet grain prospects also appear to be affecting crops in Eastern Europe—market for about 12.8 million tons of grain this year and perhaps 13-15 million in 1979/80. The resulting impact on crops in two of these countries—Poland and Romania—was observed by members of a U.S. Department of Agriculture delegation there in late May for annual consultations on development of agricultural trade and cooperation.

The U.S. delegation was headed by Deputy Under Secretary of Agriculture G. Edward Schuh and hosted in Poland by Andrezej Kacala, Vice Minister of Agriculture, and in Romania by Adrian Rogojeanu, Deputy Minister of Agriculture and Food Industry.

Upon conclusion of official talks in Poland, the U.S. delegation traveled to the eastern regions of the country (Bialystok, Biala Podlaska) to view state- and private-owned crop and livestock production installations. The region is characterized by a different microclimate than that directly west of Warsaw and the Vistula River, which tend to share generally the climatic conditions prevailing in the east of the German Democratic Republic (GDR).

It was apparent from observations in the east, and south (Krakow to Warsaw), that Poland's extreme winter weather and cold, flood-plagued spring had indeed exacted a toll on Polish agriculture. According to Polish officials, winterkill was higher than usual—especially for the rapeseed crop—and replacement of that area (with barley and potatoes), together with general spring field work and planting, was delayed some 2-3 weeks by low temperatures and supersaturated soils.

Cattle were put to pasture later than usual, and only two hay cuttings are expected this summer. Planting of potatoes continued into late May, providing graphic proof of difficult spring conditions.

Working further against Polish farmers this season was the almost total lack of widespread precipitation during the month of May. Despite overly wet conditions before May, Poland's generally light, sandy soils are not moisture retentive, and require relatively frequent precipitation to avoid stress on most crops.

Thus, it appears that Polish farmers can only expect modest crop returns again this year—a cycle unbroken since 1975.

Polish officials reconfirmed, however, their Government's commitment to maintaining and expanding livestock production, despite continuing crop adversities. As a result, total demand for agricultural imports is expected to continue as heavy or heavier in the 1979/80 season than in the current year—even if good weather improves prospects for crops now in the ground.

Poland is the largest East European market for U.S. farm products—and for grains in particular. U.S. grain exports to that country last year reached 2.7 million metric tons—double those of the second largest market in the region, the GDR.

In Romania, crop conditions were better than in Poland but dry weather was beginning to have an impact on corn plantings.

Winter grains (barley, wheat) were observed to be in good condition in both climatic zones, although maturation was of course much farther advanced in the Sub-Carpathian area than in Transylvania. In the former, with prevailing dry weather and high temperatures (25°-30°C), harvesting of barley was expected to get underway shortly after June 10, with wheat following a week to 10 days later.

Development of the corn crop, on the other hand, appeared to be uniformly delayed. Also, rather more sparse or spotty stands were observed than would normally be expected. Romanian farm managers attributed those conditions to delays caused by low spring ground temperatures and to the general lack of a good rainfall during the month of May.

U.S.: Top EC Soybean Source

Imports of soybeans by the European Community (not including Ireland, which is excluded from all data given) have increased by about 2 million tons between 1974 and 1978, and the United States was the major supplier in each of the 5 years, according to the EC Federation of Oilseed Crushing Industries (FEDIOL).

EC imports of soybean meal also rose markedly in the same period. The United States was the second most important source after Brazil, with the 1978 U.S. total representing a notable recovery from the low of 1977.

In 1978, the United States shipped 8.8 million tons of soybeans and 2.5 million tons of soybean meal to the EC.

The key factors in the FEDIOL report:

- Apparent consumption of soybean meal in the EC increased by about 28 percent in 1978—substantially above the gains in previous years.
- In 1978, soybean meal production (from imported beans) supplied about 64 percent of apparent soybean meal consumption, compared with 67 percent in 1977 and 75 percent in 1974.
- EC imports of soybean in 1978 increased by 21 percent while soybean meal imports rose by 38 percent.
- During the 1974-78 period, EC imports of soybean increased by 21 percent, while net imports of soybean meal more than doubled.
- Since 1974, soybean imports from the United States have supplied all the growth in EC imports of that commodity. However, virtually all of the growth in EC soybean meal imports since 1974 has come from Brazil and Argentina.
- In 1978, the U.S. market share of EC soybean meal consumption (meal imports plus the meal equivalent of soybean imports) improved slightly to 71 percent, but continued to be significantly below the market share in most years in the 1974-78 period. □

Sunflower development appeared to be on schedule, and observed stands looked to be thriving and uniform.

Here again, Romanian officials indicated that the country's drive to increase livestock production, especially hogs and broilers, would necessitate larger imports of both feedgrains and oilseeds in 1979/80 than in the current season.

Romania imported over 200,000 tons of soybeans from the United States thus far this season (Sept. 1978 through May 1979). It is expected to utilize most of the $110-million line of Commodity Credit Corporation credit extended for the purchase of U. S. feedgrains before September 15, 1979.

If a parallel can be drawn between Poland and Romania, countries so diverse in many ways, it is the officially stated commitment of both to expand livestock production in order to increase domestic meat supplies and exports.—*Gerald W. Harvey, Centrally Planned Economies Division, FAS.* □

Dimming Soviet Crop Outlook Points to Large Grain Imports

Grain imports by the USSR—swing market in world grain trade—appear likely to increase significantly in 1979/80 as a result of a prolonged dry spell in the European USSR and consequent dimming of 1979 crop prospects.

The Soviets already have increased purchases of grain—possibly because of early concern over their 1979 crop. However, most of the gain will show up in 1979/80 (July-June). Total Soviet grain purchases then could be significantly above the 15 million estimated to have been imported in 1978/79, especially if the country opts to continue present levels of grain usage.

U.S. share of the Soviet market in the 1978/79 agreement year (Oct.-Sept.) is estimated at close to the 15 million tons already provided for under regular consultations held pursuant to the U.S.-USSR Grain Agreement. This compares with 14.5 million tons shipped to the USSR last year under the Agreement.

In the past, extreme irregularity in its year-to-year purchases gave the USSR a much larger influence on the world grain situation than its 10-18 percent of world imports might indicate.

For example, following the Soviet crop shortfall in 1972, USSR imports rose from 7.8 million tons in 1971/72 to 22.5 million the following year only to drop back to 5.2 million by 1974/75. Likewise, following the 1975 crop shortfall, imports rose from the low 1974/75 level to 25.6 million during 1975/76 and again fell the next year to 10.3 million.

More recently, perhaps because of the bilateral grains agreement, the year-to-year fluctuations appear to be narrowing somewhat. Following the record Soviet grain crop of 237 million tons last year, 1978/79 imports are expected to be only slightly less than the 18.5 million tons imported during 1977/78. This sustained high level of imports should prove beneficial in overcoming the grain crop shortfall expected this year.

Still, in combination with increased buying by China earlier this year and continuing growth in trade to meet needs of expanding livestock industries, the Soviet shortfall will probably bring some further tightening of the world grain supply-demand situation.

USDA forecasts of the Soviet grain crop as of July 3 held at the 170-210 million ton level announced on June 8. This is some 25 million tons below projections in mid-May 1979. It is also well under both the record 1978 crop of 237.2 million tons and the Soviet goal for 1979 of 226.8 million.

Soviet grain output is characterized by wide fluctuations in production.

This year, the problem is extreme dryness in the South Urals, the Volga, North Caucasus, and East Ukraine, where about 30 percent of the Soviet grain crop is grown. Here, grain areas have gone from abundant moisture conditions during much of April to unusually low moisture levels beginning in early May. These dry conditions occurred during the critical flowering stage of winter wheat and spring barley development in some areas, which can hamper the filling of heads and in some cases cause plant sterility. □

European Community[1]: Selected Soybean and Soybean Meal Data, 1974-78

Item	1974	1975	1976	1977	1978
Soybean imports:	*1,000 mt*	*1,000 mt*	*1,000 mt*	*1,000 mt*	*1,000 mt*
United States	6,875	5,848	7,551	7,343	8,853
Brazil	2,002	2,133	1,392	916	367
Argentina	—	—	—	471	1,358
Total	9,116	8,233	9,141	9,136	11,020
Soybean meal imports[2]:					
United States	2,441	1,948	2,130	1,503	2,501
Brazil	671	1,159	1,694	2,222	2,776
Argentina	—	—	—	248	276
Total	3,330	3,329	4,067	4,090	5,649
Soybean meal exports[3]	1,003	568	590	575	772
Soybean crushings	8,896	8,177	8,957	8,865	10,767
Soybean meal production	7,101	6,565	7,164	7,095	8,651
Soybean balance[4]	9,482	9,465	10,736	10,783	13,528
U.S. market share:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Soybean imports	75.4	70.9	82.6	80.4	80.3
Gross soybean meal imports	73.3	58.5	52.4	36.7	49.1
Apparent consumption	84.1	71.2	76.8	69.6	71.1

[1] Excluding Ireland. [2] From third countries. [3] To third countries. [4] Imports minus exports plus production. Source: EC Federation of Oilseed Crushing Industries (FEDIOL).

Dutch Assess Issues Facing Dairy Sector

The Netherlands Ministry of Agriculture and Fisheries (MAF) has issued a statement in response to questions raised in the Dutch First Chamber (Senate) relating to dairy issues in the Netherlands (and, by implication, other European Community countries).

Highlights of the MAF statement are presented below, with comments by James A. Hutchins, Jr., U.S. Agricultural Attaché in The Hague, following the MAF material:

European Community's Common Agricultural Policy (CAP) and farmer income: In view of the slowdown in production cost increases, the freezing of prices under the CAP will not necessarily result in a drop in real income for agriculture.

A clearly restrictive price policy for a number of years is necessary. However, since the cost factors cannot be foreseen for the years to come, it is presumptuous to speak of a price freeze for the future.

Dairy problems: Without doubt, some curbs will be introduced in the market and price policy for the dairy sector. Otherwise, milk production in the EC will continue to grow, with eventual unacceptable budgetary implications.

To attain stabilization, control over volume of supply is necessary. But opportunities to increase demand, both internally as well as outside the EC, have to be fully explored.

Premiums for nondelivery of milk and dairy products and for switching to meat production or to crops should be extended.

The relation between the price of compound feed and the price of milk is presently relatively favorable for dairy farming. This unquestionably affects the volume produced.

Although the Christmas butter price reductions have had positive effects on demand, repetition of such actions would lead to an increasing replacement of normal butter sales.

Minister [of Agriculture and Fisheries] van der Stee considers as acceptable carryovers of butter and nonfat dry milk (NFDM) equal to 2 and 3 months' consumption, respectively—200,000 tons of butter and 300,000-400,000 tons of NFDM. In terms of fluid, this is about 4 percent of total milk production. As of January 1, 1979, the EC had a carryover of 405,000 tons of butter and 600,000 tons of NFDM.

Foreign aid: The policy is aimed at increasing the amount of butter oil and NFDM in food aid. However, the absence of a good market structure in recipient countries plus transportation and distribution problems of local governments are impediments to a significant increase of these deliveries. Minister v.d. Stee is prepared to do his best to step up EC food aid, irrespective of whether surpluses exist or not.

No margarine levy: A levy on vegetable fats and oils would benefit only butter consumption. Such a levy would be undesirable from the viewpoint of consumer policy and would be impossible from the trade-policy viewpoint. A modest levy to serve as a financial resource for the high cost of the dairy policy would also be undesirable.

Problems with accession of new EC members: Minister v.d. Stee expects that an enlarged EC will also face difficult problems. Decisionmaking will become even more difficult and will hinder the process of EC integration. Also, the CAP's emphasis probably will shift as a result of the different agro-structural situation in the candidate member countries and the product mix in these countries.

Some pressure from these countries to revise the present market regulations for a number of products can be anticipated, which in turn may lead to some market distortions for certain products.

It is particularly important to Dutch agriculture and horticulture to maintain prominent places in an enlarged EC. Therefore, it is necessary that free trade continue in the EC and that the CAP remain intact through the accession negotiations. A cautious policy and adequate time are needed for a gradual alleviation of the differences between the present member countries and the candidate member countries.

Grain: In addressing the problem of grain surpluses, consideration must be given not only to production of grain but also increased utilization of grain in animal feed. This utilization is dependent on the size of the livestock herd and the proportion of grains and feed.

(End of MAF statement.)

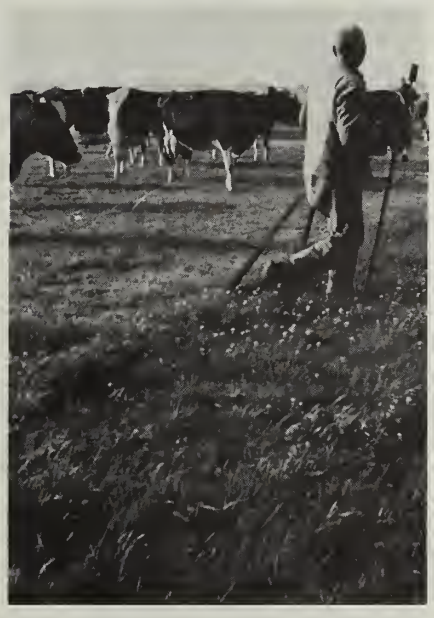
Comment by U.S. Agricultural Attaché: Minister v.d. Stee's remarks regarding the margarine levy are based on questions raised in the Second Chamber (House) as well as in the First Chamber suggesting that higher retail prices for margarine might lead to higher consumption of butter.

The concept of a production levy on the use of vegetable fats and oils (and fish oils) in margarine, shortening, etc., for human consumption is not new. In 1965 and in 1975, the EC Commission submitted several proposals to this effect. However, because of strong resistance from the United Kingdom, West Germany, and the Netherlands, and retaliatory threats from the United States, this proposal was not approved by the EC Ministers' Council.

Considering the price spread between butter and margarine, a modest levy would have little depressing effect on Dutch margarine consumption in favor of butter. Consequently, the effects of such a levy in the Netherlands would be mainly revenue-raising. However, the situation is different in other EC countries.

The Ministry's remarks regarding usage of grains in animal feeds refer mainly to EC use of grain substitutes in the face of the 1978/79 grain surpluses. An official list of grain substitutes has not been published, but the following products have been mentioned: Tapioca, oilseed meal (especially soybean meal), grain milling by-products, corn gluten feed meal (a byproduct of wet corn milling), citrus pulp, and animal-vegetable fats and oils, which are all used in compound animal feed.

The Dutch feed industry is more advanced than that of other EC countries. Widespread computerization and ready access to these products, combined with the advantages of inland water transportation and liberal animal feed laws, have enabled the Dutch feed in-



Clockwise from top left: Four pretty Dutch girls pose with cheeses at a promotion booth. A well-ordered queue of dairy cows heads for the evening milking. As the temporary fence comes down, these Holsteins lose no time moving to a greener pasture. A continuous ribbon of Dutch butter flows from this modern churn.

dustry to maximize the use of these relatively cheap feed ingredients to the detriment of higher priced feedgrains.

This development has caused resentment in some other EC countries, particularly in those where the Dutch are active sellers of livestock products, such as dairy items, poultry meat, and eggs in West Germany, and pork in France and Italy.

The principal grain-substitute product under fire is tapioca, which is mainly imported from Thailand. Imports have increased from practically nil in 1970 to about 4.5 million tons in 1978, of which almost half was imported into the Netherlands.

There is a GATT (General Agreement on Tariffs and Trade) binding for tapioca, but the binding was initiated by Brazil, and Thailand is not now a member of GATT. The EC Commission recently negotiated a voluntary export restraint with Thailand, and has proposed unbinding the product. The use of tapioca in compound feed is of interest to the United States, as 1 pound of soybean meal is needed (to add protein) for every 4 pounds of tapioca.

The United States is an important supplier of grain milling byproducts and corn gluten feed meal, with shipments in 1978 valued at about $200 million. Imports into the EC have almost doubled since 1974 and now amount to about 2 million tons and 1.5 million tons respectively.

U.S. exports of oilseeds and meals to the EC in 1977 amounted to more than $2 billion. The United States also has a vital interest in exports of citrus and other dry pulp to the EC, with annual value estimated at about $100 million.

Minister v.d. Stee has stated that the Dutch Government is opposed to the idea of imposing levies on these grain-substitute items because such charges would adversely affect the competitive position of the Dutch feed industry's export products.

However, the EC dairy surpluses—and more specifically, the Dutch dairy industry—will be under heavy pressure in EC price negotiations. With 75,000-80,000 Dutch farmers and about 25,000 other people directly involved in dairying and related industries, this sector is the most important in Dutch agriculture.

Although Minister v.d. Stee can be considered an experienced and tough negotiator, he may feel compelled to give ground in other sectors in order to protect the Dutch dairy sector. □

Italian Stockmen Have Profitable 1978, Want EC Policy Changes

Italian beef and lamb producers made sizable profits in 1978, and the Government has asked for changes in European Community (EC) policies to insure a profitable 1979.

Average beef and veal producer prices were about 16 percent higher than in 1977, while the general wholesale price index rose by only 8 to 9 percent. This increased profitability encouraged breeders to expand cattle breeding and feeding activities.

According to the Central Statistical Institute (ISTAT), total cattle numbers on June 1, 1978, were 8,748,000 head. Since this is the first time ISTAT has made a midyear survey, no comparison is possible with a year-earlier figure; however, the survey seems to indicate an increase in cattle numbers above the seasonal trend.

While most of the gain is from higher feeder cattle imports, the calf crop should also have risen; profitable milk prices have kept cow slaughter to minimal levels.

Both production (1.01 million metric tons) and imports of beef (335,000 tons) in 1978 were slightly below the previous year's level; however, domestic consumption was maintained near 1977 levels by a drawdown in stocks—mainly by sale of European Community frozen meat to Italy in 1977.

Prospects for the Italian cattle industry in 1979 will depend largely on forces outside Italy—on the European feeder market and on EC policy. Current high beef prices on the world market could cause a new drop in feeder cattle imports, and higher beef imports, which could upset Italian producer profitability.

The Italian Agricultural Ministry has been working to assure adequate supplies of both cattle and beef in 1979. At the mid-December EC Agricultural Ministers meeting, Italy obtained a 1979 quota of 203,000 feeder cattle, which will be imported from third countries at a 50 percent levy discount (including 48,000 head from Yugoslavia at a 70-percent discount).

It also again brought home from the meeting a nonlevy quota of 11,050 metric tons of beef from third countries, which will be utilized for canning and processing. In addition, Italy has asked the EC Commission to transfer 30,000 metric tons of the EC's frozen beef stocks to Italy.

Latest available data confirm that 1978 was a bad year for hog producers. The explosion of production during the past few years finally overtook consumption in late 1977 and depressed prices throughout 1978. Although producers have slaughtered substantial numbers of sows, the production bulge has yet to be worked out. On August 1, 1978, fat hog numbers were 7 percent above year-earlier levels.

The situation should bottom out in 1979: the August 1978 survey showed sow numbers off 13 percent and piglets off 7 percent. Consequently, the pig crop for 1979 should drop sharply.

Hog producers are worried that the readjustment process may be further complicated by live hog imports. In fact, because of high Monetary Compensatory Amounts (MCA's) which in Italy are paid as import subsidies imports increased during the last few months of 1978 and should expand further in 1979.

Effective April 9, Italy was granted a 5-percent devaluation of the green lira for beef, pork, and milk. This reduces MCA's—and thus import subsidies—on these products while at the same time increasing their domestic import prices.

Since the 5-percent devaluation of the green lira will not apply to the grain sector until the start of the new marketing year (Aug. 1), grain support prices are not increased (but grain import subsidies are not reduced either) until August.

In the intervening period, livestock producers are expected to benefit by the temporary changes in price relationships.

A further 4-percent devaluation of the green lira applicable to all agricultural products will be imple-

Based on report by Lloyd J. Fleck, Assistant U.S. Agricultural Attaché, Rome.

Iraq: Strong Market For U.S. Farm Products

In recent years, Iraq has turned into a strong market for U.S. farm products, their value setting a record in 1978 of $139.2 million, more than double the $62.8 million of a year earlier. Grains—especially wheat, rice, and barley—have been the mainstay of U.S. agricultural exports to Iraq, although frozen poultry was a strong seller in 1976.

Total U.S. imports of Iraqi farm products in 1978 were $4 million, of which $3 million dry dates. This compares with U.S. imports of Iraqi petroleum, valued at $260 million.

U.S. exports of wheat to Iraq rose from 186,260 tons in 1977 to 688,991 tons in 1978, and the value rose from $20.0 million to $83.8 million. But even this level was below the peak of $96.3 million in 1974, when wheat unit prices were higher than at present.

U.S. wheat exports to Iraq made up 40 percent of the approximately 1.7 million tons of wheat imported in 1978, and U.S. exports are expected to be strong in 1979, although competition from Australia may limit the size of U.S. shipments. Australia and Turkey were Iraq's two other major wheat suppliers in 1978.

U.S. rice exports to Iraq also have increased—from 54,992 tons in 1977 to 94,365 tons in 1978. Value went from $16.4 million to $40.1 million. But again the 1978 totals were less than the 149,938 tons shipped in

mented when the EC 1979/80 prices are announced in mid-1979.

Recently the EC has implemented a number of technical changes in the method of calculating MCA's, which also have the effect of reducing MCA's applying to certain pork, beef, dairy, and processed grain products.

Prices remained at profitable levels for sheep and lamb producers during 1978, particularly for the very young lambs preferred by the domestic market. Heavy lamb prices were less stable owing to greater competition from imported meat. Prospects are for further increases in the size of the herd, in the volume of the lamb crop, and in the level of domestic consumption. □

Portugal Expands Imports Of U.S. Oilseeds, Meals

Portugal's imports of oilseeds during 1979 are forecast to rise significantly to about 506,500 tons from 433,000 tons in 1978 and 363,000 tons in 1977, according to Robert J. Wicks, U.S. Agricultural Attaché in Lisbon.

Imports of soybeans, sunflowerseed, and safflowerseed are expected to expand, while imports of peanuts probably will continue to decline.

The United States supplied all of Portugal's imported soybeans in 1977 and 1978 and the bulk of imported sunflowerseed and safflowerseed in 1978.

About two-thirds of the soybean imports were purchased under USDA's CCC Export Credit Sales Program. For fiscal 1979, Portugal's CCC credits include $15 million for purchase of U.S. soybeans ($6 million carryover from fiscal 1978, $9 million in new credit), and $24 million (new credit) for purchase of U.S. soybean meal.

Imports of oilseed meals declined in 1978, but—except for sunflowerseed meal—are forecast to reach a record 264,000 tons for 1979. The United States supplied all of the soybean meal and a sizable quantity of sunflowerseed meal in calendar 1978, and is likely to remain the leading supplier of these items in 1979.

Portugal's improved producer prices for calendar 1978 stimulated the outturn of sunflowers but failed—because of disease problems—to encourage production of safflowers. The 1979 harvests of these oilseeds are expected to be slightly larger than last year's totals, according to Wicks.

Unfavorable weather reduced the 1978 olive harvest. The anticipated downturn in olive oil production this year marks the third consecutive year of declining output, which will likely result in imports for the 1978/79 marketing year at or near the 1978 record shipments of about 7,300 tons.

Portugal's total oilseed crushings in 1978 (580,782 tons) were sharply higher than 1977's 495,681 tons but were not accompanied by a matching increase in refined vegetable oil production because of a reduction in the share of crude oil diverted to refiners.

However, total vegetable oil output (crude basis), excluding olive oil, exceeded total consumption in 1978, enabling vegetable oil exports to expand and imports to decline without appreciably affecting stock levels. Total crushings in 1979 are forecast to increase more moderately, with a slightly larger share moving to refiners.

Consumption also is forecast to increase at a faster rate in 1979 than in 1978, with total consumption approximating production. □

1975, and the $64 million value. U.S. rice exports to Iraq in 1979 are expected to be high, perhaps approaching the 1975 level.

Despite Iraqi trade reports in recent years that U.S. corn exports to Iraq were scheduled to reach 100,000 tons, only 11,000 tons were shipped directly to Iraq in 1977, and some shipments may have been made through Canada or Europe in 1978. U.S. corn exports to Iraq may increase in the future if Iraqi production of animal feed reaches the point where larger corn imports are needed to augment domestic feedgrains.

Thailand has captured the largest share of the Iraqi corn import market, its sales climbing from 16,000 tons in 1977 to about 96,000 tons in 1978.

U.S. exports of soybean meal to Iraq went from 10,000 tons in 1977 to 30,432 tons in 1978 and their value increased from $2.4 million to $5.7 million. Programs to expand poultry meat and milk production have helped push upward imports of both coarse grains and soybean meal.

U.S. exports of barley to Iraq climbed from 14.109 tons in 1976 to 59,897 tons in 1977, but fell to 43,435 tons in 1978 because of larger barley arrivals from Turkey and Europe.

U.S. exports of tallow to Iraq have fluctuated in recent years, their size depending on the volume of arrivals from Europe and Australia. Rising from 4,980 tons in 1975 to 12,743 tons in 1976, they declined to less than 2,000 tons in 1977, then more than quadrupled in 1978 to 8,664 tons.

Although competition from Indian and East European tobacco suppliers reduced U.S. tobacco exports to Iraq to zero 1977 and 1978—after purchases of 225 tons in 1976—Iraq is potentially a larger market for U.S. cigarettes and cigarette leaf. U.S. cigarette brands are popular with Iraqi smokers and plans have been made to introduce several new domestically made brands containing U.S. cigarette leaf.

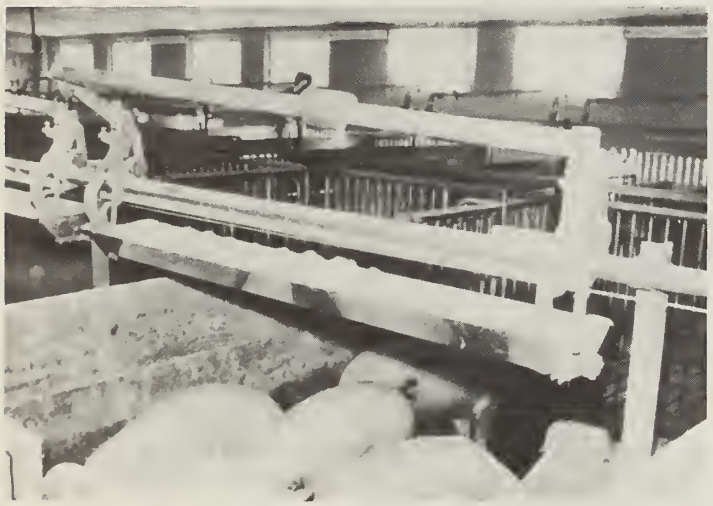
The size of Iraq's future imports of processed foods from the United States depends on the degree to which the Government pushes a policy promoting development of domestic canneries, bakeries, and food preserving plants. So far, this policy has prevented major imports of U.S. processed foods, although small amounts have been bought. The future of the policy depends on whether Iraq earns enough from its petroleum exports and wants to pay the construction costs for these plants.

Present indications are that Iraq is increasing petroleum output at a rapid pace to replace Iran as a major exporter. As a result, its petroleum earnings are growing rapidly. The possibility of boosting purchases of U.S. prepared foods at the moment is slight, but further growth in petroleum revenues and changes in trade policy could cause some surprise sales.—*By John B. Parker, Jr. ESCS.* □

German Mixed Feed Use To Rise, Total Feed Use To Fall

A recent West German report on the status of the mixed feed industry in that country indicates that production and use of such feeds, which rose from about 2 million metric tons a year in the mid-1950's to nearly 15 million tons in 1978, will continue upward to about 18 million tons by 1985. However, certain changes in feeding procedures by the livestock, dairy, and poultry sectors will cut feed use, the report said.

According to official Government data, West German mixed feed output has climbed steadily in recent years—from 13.0 million tons in 1976 to 14.6 million in 1978, giving rise to the general belief that the trend over the long term was steadily upward.



West German pork "factory" (top) and special-purpose rail cars for moving mixed feed (bottom). West German use of mixed feed is seen rising, although total feed use is expected to drop. Pork production is one of the sectors to be involved.

But Professor Ewald Boeckenhoff and Ulrich Hamm, two agricultural analysts with Stuttgart-Hohenheim University's Agricultural Market Information Department, claim such is not the case. The true record, they say, shows that growth in mixed feed production and use was an up-and-down affair, tied to domestic crop outturn.

In a paper read at the opening of a new West German mixed feed mill, Boeckenhoff and Hamm declared that production and consumption of mixed feeds are almost invariably tied to the size of the grain and roughage crops.

In years when West Germany harvests below-average grain crops—as in 1965, 1966, and 1976, for example—sharp increases in mixed feed production and use are noted.

Conversely, with the harvest of average or above-average grain crops—as in 1960 and 1974—mixed feed production and utilization are relatively smaller.

In the case of cattle feed compounds, which use relatively little grain, the same relationship applies to roughage crops: a sizable roughage production means limited mixed feed purchases, a poor crop translates into larger ones.

Also helping to determine the size of West German mixed feed purchases is the price of oilseed meals and other protein feeds.

But, in general, the report said, most farmers—especially those who buy concentrates to make up for shortfalls in grain or roughage crops—tend to meet their requirements by purchasing feeds embodying all the necessary ingredients rather than buying one or two individual components to supplement existing grains or roughages.

This, the two men said, tends to insure the future health of the mixed feed industry.

Powering the present rise in mixed feed consumption are several factors that will continue to have validity in the future. The production of animal products will continue to grow. Changes in production techniques—which depend on specialized feeding equipment and dietary regimens—will continue to embody the use of mixed feeds. And farmers—because of pressures of time and a general lack of specialized equipment and knowledge—will continue to buy mixed feeds containing vitamins and trace minerals instead of trying to mix such enriched feeds on the farm.

However, these producer trends—which seem to presage greater use of mixed feeds—are offset by certain consumer trends that would seem to do the reverse.

Per capita butter consumption will continue the downward movement that started in the late 1960's. And, while per capita use of milk will continue to rise for at least the next 6 or 7 years, the overall effect will be a drop in total fluid milk use.

Further, future beef-use increases will be slowed, abetted by the development of a lean type hog, and comparatively lower consumer prices for pork, which will continue to promote pork use at the expense of beef. Poultry production has risen in recent years and will continue to, but at a flatter rate than in the past. Egg consumption also will show a slight increase but nowhere near as steep as in the past.

Concurrent with these changes, the two analysts project a drop in total feed use, caused by improvements in feeding efficiencies resulting from the

incorporation of small producing units—having inherent inefficiencies—into larger units having the advantages of size. But since most of these larger units will utilize mixed feeds, these changes will, in effect, strengthen their use rather than weaken it.

The two men expect hog farmers to cut total feed requirements by 4 percent by 1985. In the broiler sector, total feed use is forecast at 10 percent less than the 1975 total And some cuts in total feed use are expected in the beef and dairy sectors.

But even as total feed use is reduced, consumption of mixed feed for cattle, calves, and swine is seen rising. Boeckenhoff and Hamm believe that higher milk yields will require the use of larger quantities of mixed feeds, as will the desire to boost pork yields.

Furthermore, driven by rising labor costs, larger numbers of farmers will turn away from their present system of mixing forage/roughage-concentrate feeds and begin to increase usage of mixed feeds.

Then, too, for ease in feeding sizable numbers of animals with a minimum work force, future building plans may incorporate feeding systems primarily built around mixed feeds.

Thus Boeckenhoff and Hamm conclude:

- West German requirements for mixed feeds will increase, despite a decline in total feed requirements;
- The share of commercial feeds as part of the total will rise to the degree animal and poultry output units are concentrated into larger, more efficient ones;
- Feed conversion rates will be improved in most animal sectors, but these improvements will have little effect on the use of mixed feeds, but rather will tend to reduce total feed use;
- Concentrates may lose ground as feed elements in individual feeding programs, but they will gain importance as the use of commercially mixed feeds rises; and
- Fewer farmers will have the facilities, or the time, to mix their own feeds and will instead turn to commercial mixed feeds—*By Marcellus P. Murphy, staff writer,* Foreign Agriculture. □

West German Protein Meal Use Higher

West German Government data show that consumption of high protein meals in calendar 1978 was 13 percent higher than 1977's. Soybean meal accounted for about 80 percent of the increase, attributed mainly to its relatively low price and a moderate expansion of hog and milk production. Large gains also occurred in the use of corn byproducts and sunflowerseed meal.

Data issued for calendar 1978 show that oilseed cake and meal use was 15 percent greater at 6,628 tons than in 1977.

Cake and meals that racked up increases included soybean (+28 percent) to 3,778 tons, corn germ (+17 percent) to 733 tons, and sunflowerseed (+30 percent) to 367 tons.

Corn gluten feed consumption was up 14 percent to 670 tons, and meat meal, up 10 percent to 105 tons. Use of rapeseed, fish, meat-bone, bone-feed, blood , and feather meals was lower.

Soybean meal constituted 57 percent of the oilseed meal category total and 47 percent of the total of all oilseed cakes and meal and protein meal represented in the data. □

Southern Africa Countries Suffer Drought Losses

A number of countries in southern Africa are suffering crop damage from poor rainfall during the planting and growing seasons. South Africa, Zambia, Botswana, Swaziland, Lesotho, and Zimbabwe-Rhodesia all have reported drought damage. Supplies of white corn have become tight in this region.

South Africa's corn and wheat crop expectations for the 1979 harvest are at the lowest levels experienced in 3 years. Low yields are expected for both crops. The corn crop is unofficially estimated at 7.4 million metric tons or less, including production in Transkei and Bophuthatswana, contrasted with last year's bumper crop of 10 million tons.

This year's corn crop probably will be the poorest since the severe drought year of 1975 but still above normal local consumption needs. Wheat output may be slightly below local consumption needs. This will be the first time since 1974/75, but a large carryover will allow some wheat exports.

For corn planting, the rains began late and have generally been erratic and below normal into April.

The white corn part of the crop is reported at 3.0 million tons, 1.5 million tons less than last season's, a quantity that will likely exclude any exports.

However, yellow corn production at 4.4 million tons, plus a large carryover from last season of about 1.8 million tons, should allow exports of about 1 million tons of yellow corn during marketing year 1979/80 (May-April)

While corn production has shown sizable increases during the 1970's, corn area has increased only about 0.4 percent a year since 1970. During marketing years 1976/77 through 1978/79, exports have averaged 2.3 million tons or 26 percent of production. The proportion of corn production that is exported has been decreasing. During these years, yields have averaged about 2 tons per hectare. Much of the increase in production has been due to yield increases.

South Africa's corn prices have increased every year since 1971. From 1968 through 1978, producer prices for white and yellow corn have been the same. From 1975/76 through 1978/79, the net producer price of corn was increased 8.9 percent a year, on average. But farmer input prices increased by 12 percent or more each year, and the Maize Board's wholesale price, or selling price of corn, has increased by 18.5 percent a year.

The South African Government approved large producer and consumer price increases for corn, effective May 1, 1979. Net producer prices for yellow corn were increased by 25 percent to the equivalent of $119 a ton. White corn prices were increased just slightly more to about $119.18 a ton. The Board's selling prices were increased by some 22.7 percent to $121.38 per ton for yellow and to $121.56 a ton for white corn. During the years 1975 through 1979, the

consumer price of corn—the staple food of South Africa's black population—has shown unusually sharp increases. Part of this is because of a reduction in consumer subsidies.

It appears that South Africa's corn prices will move further above the level of those in the United States during 1979.

Sunflowerseed and peanut production also is expected to be down this year.

Sunflower plantings have declined nearly 32 percent compared with last year's. Uncertainties over prices—as well as the drought—are factors. Production could be down to 315,000 tons.

The peanut crop is estimated at about 155,000 tons, shelled basis, down nearly 29 percent from last year.

A combination of dry weather and fertilizer distribution and general transportation problems are the main factors in Zambia's expected shortfall in its 1979 corn harvest. Last year, guerrilla warfare in some neighboring countries, and poor transport services in some others, held up overseas fertilizer imports into this land-locked country. Also, heavy rains in November and December 1978 impeded fertilizer distribution and corn planting within the country.

During the corn-planting season in Zambia, the rainfall was erratic, especially in the Southern Province. Corn deliveries to the National Agricultural Marketing Board this year could be down to less than half of the 1978 level of nearly 700,000 tons. This was a surplus that permitted some corn to be exported to Zaire.

This year, corn imports will be necessary, with food aid playing a role. During some previous shortages, South African white corn was made available. In March, Zambia ordered 50,000 tons of yellow corn from South Africa, and larger orders are expected. Kenya has surplus white corn and about 100,000 tons may be sold to Zambia. Malawi also has some corn stocks available.

Over the long term, Zambia is concerned with obtaining new, improved seed corn varieties. At present the country is largely dependent on an older variety, very vulnerable to pests and stress.

Botswana is also suffering from drought conditions. In some areas, the land has not been plowed in the second week in January, which means it may not have been plowed this season. This year's corn and sorghum crop could be about 20,000 tons, less than one-fourth of normal.

The Botswana Government believes it may have to provide food assistance to those farmers who have been affected worst. Food aid has been requested from the World Food Program. Corn from South Africa is available through the Customs Union for southern Africa, but at a price higher than the domestic price in United States. Seed may also have to be imported for next season's plantings.

Grazing conditions are expected to deteriorate during the normally dry winter seaons, currently underway. Cattle numbers are higher and farmers have been advised to sell their marketable meat animals to the Botswana Meat Commission.

Drought effects on Swaziland's corn crop also are serious. The corn crop has been reduced mainly in the lowveld and southern parts of the country—in some cases by two-thirds.

The tobacco crop has also been badly damaged. Grazing has deteriorated and the overall production of major crops is expected to be down 25-30 percent from 1978's good crops. Shipments from South Africa are expected to fill the country's corn-supply gap.—*Lawrence A. Witucki, ESCS.* □

ASA Commemorates Third Annual Soy Week in Mexico

ASA nutritionist Ruth Orellana, a nutrition teacher, and Princess Soya—Sara Black, a Mississippi University student who cooperated in Soya Week observances in Mexico City—prepare traditional Mexican dishes using soy flour.

The use of soy flour for human nutrition is catching on in Mexico as the result of Semana Soya (Soy Week), an annual market promotion activity of the American Soybean Association's Latin American Office. Semana Soya was recently observed in Mexico City for the third time.

Semana Soya was developed by Mrs. Ruth Orellana, a regional ASA nutrition consultant, and in 1979 included a kickoff breakfast for nutritionists, educators, and soy industry representatives, cooking lesson at several schools and day care centers for mothers of students, and a number of other activities designed to spotlight the utility of soybean foods.

The potential market for soybeans for food in Latin America is immense since only about 50 percent of the population at present eats protein in suitable amounts. However, the inclusion of soy protein in many foods is helping to meet this protein shortage.

In Mexico City, for example, an estimated 65,000 pounds of soy flour are used daily by bakeries to fortify wheat breads and rolls. Another 60,000 pounds of soy protein is served in vegetarian restaurants or in other eating places as a meat extender.

Soy protein has been used in Mexican foods in different forms since 1970. Almost 80 products containing from less than 1 percent to almost 100 percent soybean fortifier are on the market. These include a rice-soy flour breakfast cereal, malted milk powders, cake and pancake mixes, soy flour pastas, ground beef, Mexican sausages, and other meats. □

India's 1977/78 Tobacco Crop Larger, But Exports Stagnate

Display showing hogshead of Indian tobacco. Indian tobacco production hit was a near record in 1977/78, but exports have stabilized. (Photo: Indian Council of Agricultural Research)

India's 1977/78 tobacco crop was second largest ever produced by that country, but this ouput is believed to have resulted in larger stocks, since domestic consumption has declined in recent years and exports have stabilized.

According to the final official estimate, India's 1977/78 production of all types of tobacco totaled 445,200 tons from 450,200 hectares, representing increases over the previous year's levels of 6.3 percent in production and 4.1 percent in area.

The total 1977/78 tobacco crop is second only to the record of 462,100 tons produced in 1973/74, while yield—at 989 kilograms per hectare—stood second to the record 1973/74 yield of 1,001 kilograms.

Production of Flue-cured Virginia (FCV) tobacco in 1977/78 is estimated at 133,600 tons, 40 percent above the 95,700 tons produced in 1976/77.

The 1977/78 FCV area, estimated at 164,800 hectares, was up 16 percent from the previous year's area. Higher FCV output is attributed to the area and yield rises.

India's cigarette production was 67.776 billion pieces in 1977 and rose to an estimated 71 billion pieces during 1978. The percentage of filter-tipped cigarettes in total production continued its earlier slide, dropping from 21 percent in 1977 to 20 percent in 1978.

Indian leaf exports during the first 7 months of 1978 were unofficially estimated at 40,000 tons, primarily made to traditional destinations such as the United Kingdom, Japan, and the USSR. Tobacco exports for the entire year were expected to reach 75,000 tons, the same level as the preliminary level reported for 1977. No significant change in volume is seen for 1979.

Flue-cured Virginia leaf exports make up about 66,000 tons of total exports which have averaged just 76,500 tons a year for the past 3 years. The Soviet Union and the United Kingdom buy more than half of India's exported tobacco and about two-thirds of its FCV exports. For the most part, India's export trade consists of shipping traditional amounts of leaf to traditional markets.

India's exports are not expected to grow markedly in the future unless it undertakes a strong promotion program and improves the smoking quality of its leaf. At present, India's promotional efforts are extremely limited.

India is encouraging farmers to produce more Flue-cured Virginia in lighter soils so as to push exports of this type of leaf. In recent years, undesirable features of India tobaccos have caused exporters to discount their sales prices in order to move them. In some markets—the United Kingdom and Japan, for example—Indian tobacco often sells for less than all other imported leaf.

In the United Kingdom, U.S. tobacco was selling in 1976 for US$3.48 per kilogram, while Indian tobacco was priced at $1.85 per kilogram. By comparison, leaf from six other countries was selling for between $2.19 and $2.80 per kilogram.

In Japan, tobacco from Yugoslavia and Bulgaria sold that year for $4.00 per kilogram, that from the United States 11 cents per kilogram less, while Indian tobacco was priced nearly $2.00 per kilogram less. Leaf from Turkey, Greece, and Thailand were all priced higher than Indian tobacco, with prices ranging from a high of $3.70 for Turkish leaf to a low of $2.39 for Thai leaf.

Domestic availability of Indian tobacco has risen during the past 20 years, but at a rate well below the population increase. Consequently, the annual per capita availability of tobacco has fallen steadily from about 1.29 pounds in 1959 to only about 1.04 pounds during 1978. Heavy taxes on tobacco products tend to lift consumer prices, driving away many of the low income smokers and reducing consumption by others.

Growing conditions for the 1978/79 tobacco crop were favorable during the winter and spring months, and outturn is expected to approach the 1977/78 level. The export and stock situations are expected to remain the same in the current year as in the previous one as carryovers of old-crop tobacco will keep stocks in excess of domestic and export demand.

Exports are expected to remain in the 75,000-80,000-ton range.

Early reports from India's major producing areas indicate another sizable FCV crop this year.—*Based on reports from Ivan E. Johnson, U.S. Agricultural Counselor, New Delhi.* □

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million from increased quotas by importers of high quality U.S. beef. Other important gains were made in expanding exports of pork and poultry meat.

Concessions from developing countries in feedgrains and from the European Community (EC) in rice will increase U.S. exports by an estimated $26 million. Soybean meal concessions from Korea along with reduced duties for other oilseed products will increase sales of these commodities by about $83 million. Higher quotas, especially by Japan, and reduction in duties are expected to lead to increased U.S. exports of fruits and vegetables by approximately $63 million. The U.S. tobacco industry will benefit by $86 million in additional exports sales as a result of concessions including a duty reduction by the EC for high-quality U.S. tobaccos and changes in Oceania's mixing regulations.

But these data do not tell the whole story. At least three other points need to be stressed. First, this is the first round of multilateral trade negotiations in which there has been substantial liberalization in agricultural trade. This is an important first—and possibly a harbinger of additional liberalization in the future. So far, we have had little experience in assessing the results of global reductions in agricultural trade barriers.

Second, trade liberalization helps to reduce world market instability. The gains in this respect may be modest from the current round of negotiations. But it is important to recognize that an important share of the instability in agricultural markets that we have seen in recent years is due to trade barriers. Hence, when there is a production shortfall in some major developing country, for example, trade barriers force the major adjustment onto the world market and onto those countries such as the United States whose markets are relatively less well protected. Trade liberalization can reduce market instability by sharing market adjustments among all trading partners.

Finally, successfully negotiating a multilateral trade agreement in the presence of the protectionist sentiments that have dominated world trade in recent years is a major accomplishment in its own right.

It is easy to forget that the negotiations were completely stalled in mid-1977, when President Carter made their reactivation a major goal of the summit meetings that year. It was from that meeting that the political will was mustered to drive through to the end.

Of the remaining tasks, first and foremost is consideration of the package by Congress. Formal approval of the tariff reductions is not required, but the nontariff barriers reductions must be approved by both houses of Congress. The Trade Act of 1974 bars amendments to the package. This means that Congress must approve it without change or reject it outright. The President submitted the bill by mid-June after which Congress has 90 working days to take action.

The other outstanding task is devising a way to meet the need for trade adjustment policies. While the concept itself is straightforward, adjustment is a much neglected aspect of trade policy. More open markets provide a greater role for comparative advantage in the determination of the location of production, giving rise to the international division of labor.

An efficient policy would require that resources be transferred from those sectors that are no longer competitive to those whose contribution to society is higher as a result of trade barrier reductions. Moreover, the gains from more liberalized trade to society at large are expected to be sufficiently large that resource owners can be compensated for their costs in transferring to more productive sectors from the sectors that cannot compete with lower priced imports.

In practice, the problem is a great deal more difficult. The political will to force the necessary employment adjustment is lacking; national security may require the protection of strategic industries; development policies of many countries may be incompatible with the adjustments necessitated by more liberalized trade.

Devising innovative means to deal with the adjustment problem in all trading countries is the key to obtaining further significant gains in trade liberalization. While there may be a role for international cooperation in dealing with this problem, many of these policies have to be devised nationally to fit local conditions.

The Tokyo Round will not by itself change the world, nor will it provide a panacea for this country's continuing balance of payments problems. As a nation we need to become more export oriented, just as we need to recognize more fully that we live in an interdependent world economy. Fortress America is no longer a viable alternative.

We have many problems still before us. The North-South dialogue continues, and we have made little progress in improving either our economic or political relations with that part of the world. The EC's Common Agricultural Policy is still a frustration to many in this country, and we still have not made much progress in changing that. And we still argue over the rules for managing currency values and exchange rates, while underestimating their importance to trade.

But the progress made in the Tokyo Round is little short of remarkable—especially when viewed in the context of the difficult economic conditions in which it was worked out. We now need to consolidate the gains from these negotiations, deal effectively with the adjustment problems, and lay the foundation for another round of negotiations. □

Norwegians Try U.S. Steaks

Patrons at Oslo's Caravelle Restaurant dug into steaks and other U.S. foods at a menu promotional feature sponsored March 22-31 by FAS, the restaurant, and Scandinavian Airlines (SAS). Louis A. Lerner, U.S. Ambassador to Norway (far right), talks with a food reporter on the event's opening day. The 10-day Food Festival received heavy press coverage. Articles about the event were headlined, "Real American Steaks," "The American Way," "Everything is Bigger in America," and "Steaks and Other Good Things at the Caravelle."

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Exports to Egypt

$15 million in 1978, with prospects good for continued expansion. Egyptian feed mills now are blending soybean meal with corn for livestock feed, production of which is destined to expand sharply in the years ahead.

U.S. tallow exports to Egypt in 1979 may reach 140,000 tons—up from 129,480 tons valued at $56 million in 1978.

Cotton. Although the leading agricultural export for Egypt, cotton also is a growing import as a result of Egyptian plans to use medium-staple cotton from the United States and the Sudan. The U.S. cotton purchased in November 1978 cost about 80 cents per pound plus freight, whereas Egypt receives over $1.40 per pound for its exports of extra-long-staple cotton.

Consequently, U.S. cotton exports to Egypt are seen rising to $36 million this year from $19.7 million in 1978. Purchase of U.S. cotton under Commodity Credit Corporation (CCC) financing reached 102,000 running bales in 1978, but shipment was delayed until January and February of 1979.

Tobacco. Egypt is one of the fastest growing markets for U.S. tobacco and may take as much as 14,000 tons valued at nearly $60 million in 1979 if financial arrangements are concluded as expected. Last year there was a 1,000-ton dip in U.S. exports to 11,115 tons as a result of delays in that financing; previously they had grown rapidly from 1,068 tons in 1973 to the 1977 level of 12,119.

Meat products. U.S. exports of frozen poultry to Egypt through CIP loans rose to 5,604 tons valued at $6.2 million in 1977 from only 52 tons in 1976 but then declined to 3,396 tons in 1978. Another 12,500 tons financed through CIP are scheduled for shipment this year.

A bid for 5,000 tons financed through CIP was opened on April 30, 1979. Shipments are scheduled to include delivery of 2,500 tons in July and 2,500 tons in August.

Other products. A number of other U.S. products also are gaining ground in the Egyptian market, and unlike the big-volume items, most are being sold for cash. The relaxation of laws concerning the allocation of foreign exchange for private importers has triggered this broadening of Egyptian farm trade.

U.S. exports of apples, for instance, rose from $147,000 worth in 1977 to $235,000 in 1978, and were more than double that volume in early 1979. Competition for the market is stiff, however, with France and Italy supplying most of the 12,000 tons imported in 1978.

Also, Egyptian plans to modernize agriculture should bolster demand for breeding animals and seed. U.S. exports of breeding animals to Egypt reached $75,000 last year, while those of vegetable seed hit $1.6 million—nearly quadruple the 1977 value.

Increased hotel buying of specialty items likewise has boosted U.S. sales of variety meats and pork. Shipments of variety meats rose from $26,000 in 1977 to $61,000 last year, while those of pork, at $32,000, doubled 1977's.

Although rumors of large shipments of U.S. beef to the luxury hotels of Cairo floated in 1978, actual U.S. beef exports last year totaled only 10 tons valued at $32,000. Once again, trade reports indicate that the hotel trade may purchase choice grades of U.S. beef, variety meats, bacon, ham, and dairy products during 1979.

Further growth in these and other new-to-the-market items is anticipated, especially in view of recent improvements in Egypt's foreign trade position, including that with the United States this year.

On the other hand, a number of barriers still impede U.S. exports—especially consumer-ready products imported by private traders. The reason is that the Ministry of Supply—accounting for about 90 percent of Egypt's food imports—can purchase its needs duty-free, whereas the private importers must pay import duties.

Ad valorem import duties that currently handicap U.S. sales to Egypt include:

Product	*Percent*
Baby food	.30
Bakery products and paste	.60
Fruit juices	.100
Canned fruit	.75
Apples	.25
Chocolates	.150
Rice	.40

Despite these high duties—and various nontariff barriers—about 100 private importers have established business in Egypt recently. □

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Food for Crude

by an amount equal to the resale price. Such a move, however, could endanger a significant market; meanwhile Japan could obtain 3 million tons of wheat from other sources.

It is true that in addition to wheat the United States sells the Japanese large quantities of soybeans and feedgrains each year. But these commodities are not subject to the resale price applied to wheat, so there is no logic or fairness in withholding soybeans and feedgrains to get higher prices from the Japanese. □

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International Meetings

Date	Organization and location
1-7	21st World Veterinary Congress, Moscow.
2-6	OECD seminar and meeting, agro-food chain, Paris.
4-6	World Food Council, preparatory meeting, Rome.
10-13	FAO/WHO Codex Alimentarius Commission, Executive Committee, Geneva.
12-13	U.S.-European Community semi-annual discussions, Brussels.
12-20	FAO World Conference on Agrarian Reform and Rural Development, Rome.
16-Aug. 3	UNCTAD Negotiating Conference on Cocoa, Geneva.
23-27	FAO Codex Alimentarius Commission, Food Hygiene Committee, Washington, D.C.
30-Aug. 3	UNCTAD Preparatory Meeting on Tea, Geneva.
30-Aug. 3	International Institute for Cotton, special General Assembly meeting, Washington, D.C.

Trade/Technical Teams

U.S. Teams Overseas

Date	Team	To
June 16-July 7	Winter grain	USSR
13-Aug. 8	Spring wheat	USSR

Foreign Teams in the United States

Date	Team	To
June 22-July 6	Algerian wheat	Illinois, Minnesota, Missouri, Louisiana, Pennsylvania, Washington, D.C.
June 23-July 8	Latin American flour milling	Kansas State University
June 26-July 11	USSR automated information systems	Indiana, Minnesota, New York, Washington, D.C.
June 27-July 15	Taiwanese grain and oilseed	Idaho, South Dakota, Oklahoma
mid-August	Uruguayan sugarbeat	Research locations
2-21	Chinese plant quarantine/ inspection	Washington, Oregon, Illinois, others to be set
2-30	Chinese animal health	Indiana, Illinois, Iowa, Nebraska, Kansas, Texas, California
3-28	Indian wheat industry	Washington, Oregon, Kansas, Minnesota, Washington, D.C.
6-20	Japanese meat industry inspection	California, Colorado, Iowa, Illinois, Texas, Washington, D.C.
9-19	Malaysian veterinarian services	California, Texas, Florida, Washington, D.C.
6-20	Moroccan fats and oils	New York, Illinois, Missouri, Iowa, Louisiana, Tennessee, Washington, D.C.
9-Aug. 5	Chinese plant germ plasm	Washington, Oregon, Idaho, Colorado, Utah, Iowa, Washington, D.C.
23-28	Venezuelan grain handling, storage	Gulf ports
26-Aug. 18	Philippine wheat	Washington, Oregon, Minnesota, Kansas New York, Washington, D.C.
31-Aug.15	USSR soil science	California, Colorado, Texas, Kansas, Washington, D.C.

Deadlines

Date	Event
1	Deadline for publication of third-quarter estimate, U.S. meat imports.
1	Generalized System of Preferences (GSP) annual product review begins.